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Statement by H.E. Péter Veress Minister of Foreign Trade

Let me join other speakers in welcoming the opportunity provided by the 40th anniversary of the GATT for an exchange of views among high-level officials on the most important issues of international trade and trade policy. These four decades have shown the merit of the GATT as a multilateral agreement, embodying the legal undertaking of contracting parties to observe the rules and disciplines of international trade. Today, when we are confronted with growing tensions in commercial relations, when trade liberalization does not progress adequately, and the principle of non-discrimination is still not strictly observed, we must not forget that the trading system and the functioning of the GATT are finally shaped by the trade policies of contracting parties. Consequently, if we are dissatisfied with the GATT, we ought to be dissatisfied with ourselves and should act accordingly.

The multilateral approach underlying the GATT serves the interests of all participants, but is especially important for smaller trading nations like Hungary. The General Agreement provides a framework for identifying the common commercial interests of contracting parties and to join forces on this basis, with a view to enhancing their bargaining power in the course of multilateral negotiations.

Hungary is among the countries heavily dependent on international trade. Therefore, a stable and more predictable international trading environment governed by effective multilateral rules and disciplines is of vital interest for us. It is our firm view that any country which undertakes GATT's disciplines and obligations, irrespective of its size, economic power, economic system or level of development, is entitled to equal, non-discriminatory treatment from all contracting parties.

The Hungarian economy is undergoing major changes with a view to speed up the structural readjustment process. The Parliament has recently approved a governmental programme designed to give new directions to the economy. The basic objective of this programme is to restore the external and internal equilibrium of the country through halting the rise of hard currency indebtedness, the promotion of selective export-oriented growth of production and technological development, the reduction and then elimination of the budgetary deficit. The Hungarian Government is resolved to achieve these changes basically relying on national efforts and to implement the necessary measures underpinning the stabilization process.

Starting next January, the taxation system will be radically overhauled with the introduction of the value-added and the personal income tax. A further major step will be taken in the decentralization process of foreign trade: from next year, all Hungarian producing enterprises will be given the possibility to directly engage in foreign-trading activities under the generally applicable rules. The regulations governing foreign investments are also continuously developed with a view to creating favourable conditions for the setting up of joint ventures.

A basic aim of the above changes is to facilitate Hungary's growing participation in international economic, trade and financial relations. The full realization of the objectives of the Hungarian Government, however, is also dependent on external conditions. In recent years our economy has been heavily buffeted by a worsening international environment. We have encountered more market access barriers and steadily deteriorating terms of trade. Trade measures inconsistent with the GATT are still applied, they even proliferate. We are also deeply concerned by the dismal state of international farm trade. Although the markets of a few commodities have somewhat improved recently, agricultural prices still remain at unrealistically low levels substantially limiting our export earnings.

The recent major turmoil of the financial markets may also potentially bring havoc to international trade relations. We do hope that policy-makers will resist the temptation of seeking solutions to monetary and financial problems through the introduction of new protectionist measures.

The Uruguay Round of multilateral trade negotiations was launched over a year ago with a view to reverse the unfavourable tendencies in international trade and to bring about its substantial liberalization. Like other contracting parties, we also have our own priorities and expectations concerning the outcome of the negotiations. As an efficient traditional producer and exporter of farm products and as a member of the Cairns Group, Hungary attaches major importance to the negotiations on agriculture. Thus, we expect as a result of the Uruguay Round strengthened GATT rules to apply to farm trade, bringing about substantial liberalization and the elimination of trade-distorting measures. Our judgement on the results of the Uruguay Round will largely depend on the attainment of the objectives related to trade in agriculture. We also expect a general improvement of market access conditions for industrial products through decreased tariff levels and reduced non-tariff barriers.

The Hungarian delegation shares the positive evaluation of the initial phase of the Uruguay Round negotiations and hopes that the pace reached so far can be maintained. Good progress gives a positive signal to all participants of international trade relations, policy-makers and business circles alike. We must not forget, however, that trade tensions and uncertainties, if unchecked, are bound to affect the multilateral negotiations and slow down the progress or even call into question the final outcome of the Round itself. The strict observance of the standstill

and rollback commitment undertaken by contracting parties in Punta del Este is a basic condition of preserving the negotiating spirit. We are convinced that the participating countries' political will to achieve a substantial liberalization of international trade can be best proved by reaching results already by the mid-term review of 1988. We are ready to work to this end.