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Hungary: Obstacles to reform

Intereconomics

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COMMENTS

UNCTAD

Nothing new from Geneva

The quarrels continue between UNCTAD and the sub-committee for development, which has been newly formed by the Economic and Social Council of the United Nations (ECOSOC). The main difficulty the UNCTAD Council had to face in Geneva during its 8th meeting was to decide to whom to pass on its final much watered-down report. For the states of the Eastern Bloc refused to submit it to ECOSOC as they regard the membership of the Federal Republic of Germany to that body as illegal.

Once again political animosities were being enacted in Geneva on the stage of development policy, and this to the detriment of the developing countries! For as long as one is not prepared to concentrate on purely factual problems, elaborately staged meetings like those in Geneva are likely to produce embarrassingly disappointing results. What found general approval in the end is summarised in the sentence that UNCTAD would continue in its endeavour to accelerate economic development by formulating and practising a new policy orientated towards the development of trade. Fine words indeed, but hardly in conformity with reality. So far no progress has been made in the planning of the second development decade, not to mention any re-orientation of policy. The Geneva meeting remained content with rehashing the old worn-out meaningless formulas like expansion of trade, strengthening of international cooperation or special help for the economically weakest countries. The only new thing is the decision to work on the assumption of a minimum growth of 6 p.c. in the GNP. But judging by the experiences with a 5 p.c. target during the first development decade and by the strategic measures taken to reach that target, the new 6 p.c. objective would seem to be a pipedream. ke.

Hungary

Obstacles to Reform

Hungary introduced the "new economic mechanism" in 1968. It was intended to lead—similarly to what was happening in the CSSR—to a "socialist market economy" by way of a reorganisation of the entire economy. But the Hungarian reforms suffered a set-back as a result of the occupation of the CSSR. For psychological reasons, Budapest will now be compelled to carry

out the transformation more slowly and with greater care than had at first been intended.

Weighty economic reasons also make it desirable that the pace of the reform should be slowed down. For despite official declarations that the implementation of the initial economic reforms were not attended by any complications, it is no longer possible to overlook the fact that difficulties of adjustment have caused in many sectors of the economy tendencies towards stagnation—difficulties which in the near future could lead to further increases in structural unemployment and accentuate the trend towards inflation.

And this even though Budapest has so far undertaken none of the major structural changes. Pride of place occupy always the sectors of heavy industry which are disproportionately large in relation to the rest of the economy. This one-sided orientation is liable to reduce the market outlets of these industries still further. Whether the Hungarians will succeed in their intention to minimise these difficulties by changes in the COMECON remains at least doubtful. What also worries the reformers is the country's energy structure. The Hungarian economy which depends to such a large extent on energy is constantly exposed to the threat of rising prices for Soviet raw materials. The neutral observer is therefore at some pains to understand why the Hungarians have abandoned the plan to build together with the CSSR a hydro-electric plant on the Danube. This project would have materially improved the country's energy structure. Have the Russians by any chance put their foot down, here as well? ogm.

South America

The Andine Pact

The progress made recently by the Latin-American Free Trade Association (LAFTA) was disappointing. Because of this Colombia, Ecuador, Peru, Bolivia and Chile concluded on May 25, 1969 in Cartagena (Colombia) the "Andine Pact" on the lines of the Central American Common Market. Venezuela has reserved itself the right to adhere to the Pact possibly later. But even without Venezuela the newly created Common Market covers an area of 1.75 mn square miles with a population of roughly 46 mn inhabitants.

The success achieved by some economic unions must not obscure the fact that the move of these countries towards integration is no panacea for all their economic troubles. The effectiveness