

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

## Hungary: Compensation deals unprofitable

Intereconomics

*Suggested Citation:* Hamburg Institute of International Economics (HWWA) (Ed.) (1972) : Hungary: Compensation deals unprofitable, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 07, Iss. 5, pp. 133-, <https://doi.org/10.1007/BF02929464>

This Version is available at:

<https://hdl.handle.net/10419/138632>

### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

### Terms of use:

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

trial countries, and exhibitors as well as organisers expected it to result in correspondingly large turnover figures and numerous business contracts. These expectations have not been fully borne out.

Further steps of a similar kind will not — that much is already certain — at once yield the desired results as long as African states intent on industrialisation entrench themselves behind high tariff barriers and impede exchanges of goods amongst themselves. Substantial improvements in the communication between the individual states are also needed to fructify commerce between them. Fairs like the one in Nairobi will not manifest their value for trade exchanges until the movement of goods and services can proceed "normally", unimpeded by the obstacles prevailing now. This will not happen for some considerable time yet. For the time being the first all-African fair in Nairobi remains therefore a noteworthy initiative which however will not necessarily give quick results. mk.

## USA

### Connally's Maxims

Economists have always believed that countries with a chronic balance of payments deficit should take measures to eliminate them. For small countries that may still be true today. But to large countries, the US Secretary of Finance Connally instructed us recently, this economic maxim no longer applies. His surprising contribution to economic science is a recipe for the removal of balance of payments deficits, not by measures and sacrifices of the country in question, but by "automatic discipline" on the part of the countries with persistent balance of payments surpluses. They are told to transfer a third or even half of their surpluses to the International Monetary Fund which will pass on these funds free of interest or at low interest rates to the countries in deficit. Among the latter the USA occupies the foremost place as it has had a chronic balance of payments deficit for a number of years. The suggested procedure would elegantly do away with its normal consequences.

It is another economic theorem that countries with persistent balance of payments surpluses should take measures to balance their payments. This may perhaps still hold good for big countries — but not for small countries, Connally enlightens us further. For if large countries — such as the USA — show balance of payments deficits, its small partners should put up with trade deficits and reduce their export potential. This is not to be done exclusively for the benefit of exports

from the big countries, but from a sense of brotherly concern for the well-being of the smaller countries. For the capacities released, Connally suggests further, could be employed inside these countries in the social sphere and in the fight against pollution. kw.

## Hungary

### Compensation Deals Unprofitable

One can hear again and again from firms doing business with COMECON countries that in very many cases the German exporter can secure orders only if he is prepared to accept products of which the country or foreign trade corporation in question wants to get rid. But what good are tomato pulp or textiles to a machinery maker? Not knowing the trade, he cannot easily find his way through what are mostly difficult markets. And so, being intent on selling his machines, he offers the compensation goods to contacts in touch with knowledgeable food importers or textile wholesalers who are interested in buying such goods on favourable terms, which means at attractive prices. The Chambers of Commerce in the Federal Republic have used their contacts to get business deals settled which could otherwise probably never have been carried through.

The fact however remains: The machinery exporter wants to sell his own product and therefore has in addition to sell some other merchandise which has been more or less forced on him and will not attract a would-be buyer unless offered at an interesting discount. The exporter must take this into account when costing his own export goods. The eastern foreign trade corporation may claim as a "success" that the coupling of two deals enabled it to export something extra but cannot escape the fact that it has paid for the machines a higher price than necessary. An honest calculation would show the compensation deal to be an unremunerative transaction, unremunerative also in that the deal may spoil the market price of products exported in the normal way.

The Hungarian Government has woken up to this fact. As Deputy Foreign Trade Minister Dr Szalai made clear during a recent visit to the Federal Republic, Budapest does not encourage compensation deals and does not look on them even with tacit approval. They are, he said, "unremunerative" and, from the balance of payments point of view, "dishonest"; one was only deceiving oneself with such deals. The Hungarians are so far alone in appreciating this fact. It is time for other eastern countries as well to draw the consequences. ja.