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Athens, 29 November-20 December 1967  
Provisional agenda, Items 3(g) and 4(c)

HUNGARY AND INDUSTRIALIZATION IN THE DEVELOPING COUNTRIES .

By -

Dr. Janos Szita,

Secretary, The Committee for International Economic Relations

Submitted by the Government of Hungary

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SUMMARY

by

Dr. Janos Szita,  
Secretary, The Committee for International Economic Relations

Submitted by the Government of Hungary

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\* This is a summary of a paper issued under the same title as document ID/CONF.1/G.49.

1. The industrialization of developing countries is one of the major problems facing the world economy at present. Hungary, within the limits of its modest possibilities, wishes to contribute a share in finding a solution. When evaluating the measure of its participation, it should be borne in mind that Hungary, with a population of 10 million in a small country is now entering a more intensive phase of industrialization and belongs in the group of countries that have achieved a medium level of development in respect of per capita national income. In international forums, Hungary has persistently come out in favour of the liquidation of all forms of colonialism and of the consolidation of the political and economic independence of the developing countries.
2. Hungary could not embark on the road to independent development until after World War I when it was one of the countries with the slowest rate of industrialization in Europe. During World War II, Hungary suffered grave damage, but recovered from the effects of the war in a short period of time. Hungary underwent complete social and economic changes, and the people started to build a socialist society. In the course of development, industry became the most important sector of the national economy. This resulted in changes in the structure of the national economy and of employment. The ratio of employment outside agriculture increased, and important tasks had to be solved also in the field of special training. During this process, a body of experience accumulated which could also be utilized by developing countries.
3. It has been Hungary's aim to develop international division of labour; and in relation to the countries of the Council for Mutual Economic Assistance (CMEA), the expansion of co-operation and division of labour, as well as specialization and co-operation in production, have become of particular importance to Hungary. The socialist countries provide a market for the products of Hungarian industries, with possibilities for the import of basic raw materials from those countries. The share of the CMEA countries in Hungary's foreign trade is 67 per cent, being rather significant but not exclusive. The development and expansion of international economic relations with every country that shows an interest in Hungary follows from its specific position concerning the scarcity of its raw material resources and the comparatively small size of its domestic market.

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Therefore, in addition to the socialist countries, Hungary seeks to expand economic relations both with the industrially developed and the developing countries.

4. Trade with developing countries increased at a rapid annual rate of about 18 per cent between 1958 and 1965. Hungary's exports included a considerable amount of machinery and equipment, as well as complete equipment, which have contributed to the development of infra-structure and industry. A number of Hungarian specialists work in developing countries, and hundreds of individuals from developing countries are trained in Hungary. Technical and scientific co-operation is, in part, realized within the framework of the specialized agencies of the United Nations.

5. The economic relations of Hungary with the developing countries are based on mutual advantages but also contain the elements of aid to those countries. There is need for elaboration of a policy of technical, economic and co-operation to accelerate the process of industrialization and to strengthen the existing industrial base in the developing countries. The Hungarian institutes of technical planning, development and research can offer effective help in this direction. TESCO (International Bureau for Technico-Scientific Co-operation) provides various kinds of services to the developing countries.

6. The industrialization of the developing countries is supported by the United Nations with the means at its disposal. A useful purpose is therefore served by the establishment of UNIDO, whose activity is likely to exert a favourable influence on the industrialization of developing countries.

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## Introduction

1. Hungary looks upon the industrialization of developing countries as one of the most important problems facing the world economy at present. The tasks involved are so immense that it seems unfeasible to facilitate their solution without broad international co-operation and joint efforts by all countries of the world, in which Hungary, within the limits of its modest possibilities, wishes to take its share also in future.
2. To form a correct picture of Hungary's contribution to the efforts of the developing countries towards industrialization, it is necessary to take into account a set of essential circumstances which also have a bearing on Hungary's economic relations with the developing countries:
  - (a) Hungary with its population of ten million, is a relatively small country which is entering a more intensive phase of industrialization and belongs in the category of European countries that have achieved a medium level of development in respect of per capita national income.
  - (b) In common with the other socialist countries, Hungary has, in international forums, advocated the liquidation of colonialism in all of its manifestations and the consolidation of the political and economic independence of the developing countries. Hungary, therefore, looks upon the efforts of developing countries towards industrialization as an essential condition of their economic progress.

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I. EXPERIENCES OF HUNGARY'S ECONOMIC DEVELOPMENT  
IN THE POST-WAR PERIOD

General aspects

3. It was not until the close of World War I - and the dissolution of the Austro-Hungarian monarchy - that Hungary started on the road to independent economic development. Isolated as it was from wholesome international economic relations, and subordinated to the interests of great Power aspirations, Hungary depressingly lagged behind the economic advance of Western European countries. During the twenty years between the two world wars, Hungary's industrial production increased by only 30 per cent, representing a rate of growth characteristic of countries with the slowest process of industrialization in Europe. As far back as 1938, half of the country's population subsisted on agriculture and only 10 per cent on manufacturing. Industrial production was dominated by the food and the light industries.

4. Hungary suffered extremely grave damage during the Second World War and, when the war was over, its economy became almost entirely paralysed. Hungary recovered from the grave effects of the war in a relatively short time and set out on the reconstruction and development of its national economy. The country underwent deeply penetrating social and economic changes, and the Hungarian people started to build a socialist society.

5. Having drawn these few general conclusions, it is worth-while to give a brief survey of Hungary's post-war economic development, in the course of which it was transformed from a relatively backward agrarian country to one in which industry is the most important sector of the national economy. In the process of its economic advance and its industrialization, Hungary acquired a great deal of experience which prepared it to approach, in greater awareness, a large number of the problems connected with the industrialization of developing countries. In addition to the similarities of problems, however, there exist marked differences arising partly from the divergence of the social systems, and partly from the fact that Hungary started industrialization at a relatively



higher economic level than most of the developing countries.

6. The main principle of industrialization was to increase the production of capital equipment more rapidly than that of consumer goods. This provided a basis for development of a modern heavy industry, parallel to the expansion of the pre-existing food and light industries. During these twenty years, a large part of Hungary's national income was allocated to industrial investment, including reconstruction and expansion projects and new industrial plants. The existing structure of industry was improved in a planned manner and was brought more into line with the requirements of technical progress, the country's economic and natural endowments, and the ever-increasing domestic demand and foreign trade needs.

7. An important precondition of development was the nationalization of industrial plants and their transformation into large modern plants, as well as the reorganization of agriculture from primitive cultivation of dispersed strip-holdings to large-scale farming through the formation of co-operative farms on a voluntary basis.

8. In the course of industrialization, there had to be overcome a great many difficulties which arose partly from the country's natural endowments, partly from the errors and one-sided approach observed in the early phase of this process. A margin of error could not be avoided in the solution of new problems which in the early 1950's emerged in the process of industrialization, the modernization of the whole economy, and the reorganization of agriculture on a large scale. But more than that, there was a need to revise certain incorrect policies and trends of development within the generally correct strategy for over-all economic development. In brief, the errors were connected with an overestimate of resources and possibilities, with a policy for a stepped-up rate of development, with the neglect of possibilities inherent in the international division of labour, or, in other words, with an undue measure of insistence on development of sectors which proved economically inefficient, and, finally, with a certain degree of neglect of large economic sectors,

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primarily agriculture, in comparison to industry. As a result of definite efforts to remedy past errors, the national economy gradually recovered its right proportions from the mid-1950's onward.

9. In the period between 1950 and 1965, the national economy of Hungary developed at a relatively fast pace, in comparison with the difficulties involved. The average yearly rate of growth of per capita national income reached 5 per cent, with a relative rise in the weight of industry and resultant changes in the entire pattern of the national economy.

10. A notable change took place in the pattern of employment of the population. While 52 per cent of the gainfully employed population was employed in agriculture in 1950, the figure fell to 32 per cent by the end of 1965. Accordingly, the ratio of the population employed outside agriculture rose from 48 per cent in 1950 to 68 per cent by the end of 1965; of this, the ratio of persons employed in industry increased during the same period from less than 20 per cent to 32 per cent within over-all employment. This substantial change in the structure of employment entailed a considerable task also in the field of special training.

#### Changes in volume and structure of foreign trade

11. The volume of foreign trade more than quadrupled between 1950 and 1965, growing somewhat faster than national income or industrial output. The structure of foreign trade was also changed in that period in consequence of Hungary's over-all economic development, and particularly industrial growth. Conventional export goods, mainly agricultural, were increasingly replaced by industrial products, a process which was accompanied by the growing role of industry in imports as well.

12. Hungary is poorly supplied with industrial raw materials and as industry grew, it imported even larger quantities of agricultural produce and minerals, as well as machinery for industry and other sectors of the national economy. Given the resources of Hungary, the basic condition of benefiting from the international division of labour lies in the rapid development of its processing

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industry, particularly in the most technically dynamic branches such as the chemical or engineering industries.

13. The structural changes of foreign trade are indicated by the following facts:

(a) While 43 per cent of Hungary's total exports consisted of foodstuffs and other products of the food industry in 1949, this ratio fell to 22 per cent in 1966.

(b) The share in exports of machinery and equipment and of industrial consumer goods increased from 36 per cent in 1949 to 57 per cent in 1966.

(c) The pattern of imports also changed. The share of machinery and equipment in total imports rose from 18 per cent in 1949 to 30 per cent in 1966. The ratio of imports of raw materials and semi-finished goods fell from 77 to 57 per cent between 1949 and 1966. Even so, these products make up a large part of all imports in view of Hungary's poor resources of raw materials.

14. As industrialization moved forward, there resulted a change in the pattern of foreign trade, a circumstance which, both in respect to export and import possibilities, presented problems showing marked similarities to the difficulties now encountered by developing countries.

#### Major experiences in industrial employment and special training

15. Between 1950 and 1966, industrial output more than quadrupled, while the number of persons employed in industry rose nearly twofold. The number of persons employed in industry increased from nearly 800,000 in 1949 to 1.2 million by 1955 and to more than 1.5 million by the end of 1964. During the fifteen-year period under review, the total increment could be put at about 750,000 persons, which - with allowance for the death rate, retirements and movements to other sectors - implied a need to create employment facilities for one million new entrants into industry and to train them for various industrial jobs.

16. As a result of the changed structure of industry, the demand for skilled and highly qualified manpower increased much more rapidly than the country-

wide labour demand. It is generally recognized that the engineering industry, whose relative weight within the national economy has increased, employs a greater number of highly qualified persons than, for example, the textile industry, whose relative weight and significance within the national economy has diminished. This is shown by the following figures: in 1964, there were fifteen engineers and forty-seven skilled workers per 100 workers in the engineering industry, against five engineers and **thirty-nine** skilled workers in the textile industry. Between 1949 and 1965, the number of engineers employed in industry rose about fourfold, from 9,500 to 35,000, while the number of technicians increased from 13,000 to more than 80,000, representing better than a sixfold rise. Similarly, the number of skilled workers rose faster than that of semi-skilled or unskilled workers.

17. The improvement in the quantitative and qualitative composition of the industrial labour force brought with it a number of problems. Without dealing in detail with the relevant experience, it is worth-while to mention some general conclusions. One of the key problems posed by industrialization is the training of appropriate labour for industry, including unskilled workers, skilled workers, technicians and engineers with some industrial practice. Special training on such a large scale called for the adoption of well-considered and rather detailed labour planning, based on production development plans as a starting point and thus embodied in the over-all economic development plans in close relationship to the whole educational plan -- from general schools through secondary schools to university education.

18. Industrialization entailed a rapid growth in the industrial labour force. From the immediate post-war years up to 1955, this meant that the number of persons employed in Hungarian industry increased in some years as much as 10 per cent.

19. Given the professional training of labour, it was not possible to adhere exclusively to existing forms of training; industry was also required to play a greater role alongside school education. This meant chiefly that it was

not enough to rely on the usual form of training youth for industrial jobs, and that new methods had to be adopted for the training and re-training of adults. In addition to training industrial apprentices, large numbers of adults were also re-trained for different jobs in industry. As far as engineers and technicians were concerned, the introduction of evening and correspondence courses for persons in employment came to be an established method of great significance, complementing the traditional forms of training. Experience showed that this type of training involved notable losses and drop-outs, as no small part of re-trained persons left their jobs subsequently. In the period of slow-down in the growth of the labour supply, re-training and adult education again lost some of their significance, but there remained the need to provide special training in close connexion with production, to meet the demands of industry.

Some inter-relationships of industrial and foreign trade developments

20. Industrial growth was generally accompanied by a marked increase in the volume of foreign trade and by a substantial change in its commodity structure. The significance of industrial exports lay not only in the need for an increase to meet rising import demands but also in the pressure of demand upon Hungary, as upon most small countries, to have a higher volume of output and of corresponding foreign sales above the level of domestic needs in order to ensure economic efficiency of production in respect of most commodities. That, at the same time, led to an improvement of technical standards, for export goods had to prove their worth also in respect of quality in the competition on the world market. It also seemed practicable that production for domestic consumption and for exports should develop in appropriate relation to each other because this makes it easier for domestic users to pool more directly the body of experience which allows control and improvement of products in the course of utilization. Some of the larger branches of Hungarian industry destined 10 to 13 per cent of their products for export.

21. As compared to the gross value of output, nearly 32 per cent of the products of the engineering industry went for export in the past few years,

while in the commodity group of the chemical industry the value of exports amounted to 20 per cent of the gross value of output. This ratio was somewhat more than 24 per cent for light industry and about 1 per cent for the food industry.

22. The value of imported engineering products is slightly lower than that of exported engineering products in comparison to the gross value of output, while the value of imports is higher than that of exports within the commodity group of the chemical industry.

23. The changing pattern of industry is in close inter-relationship with foreign trade. The structural changes that have taken place since 1949 have conformed to the changing pattern of industry on a world scale, in as much as the share of heavy industry (particularly of the engineering and the chemical industry) in production increased and that of light industry (particularly of the textile industry) decreased. As noted earlier, this structural change was accompanied by a considerable increase in the volume of foreign trade of industrial products. The increase in the volume and even in the weight of products of the engineering and the chemical industry entailed no, or only a temporary, fall in the imports of this commodity group. (Machinery and equipment comprised 35 per cent of total imports in 1965, against 22 per cent in 1950, and accounted for 35 per cent of total exports in 1965, against 23 per cent in 1950.)

24. While Hungary was vigorously developing its exports of machinery, it did not in the least endeavour to build up a capacity for the manufacture of all major industrial products. As it appears from the above brief outline, Hungary sought to develop the international division of labour and to benefit from the advantages it can offer.

25. It is of particular importance for Hungary to develop co-operation and the division of labour with the countries of the Council for Mutual Economic Assistance (CMEA) on the broadest basis possible. A member of CMEA, Hungary has taken an active part in developing a broad pattern of specialization and co-operation in production among the member countries, which seek to improve all

forms of economic co-operation also by co-ordination of their national economic plans. Economic co-operation with the socialist countries plays an important role also in the development of Hungarian industry. The CMEA countries provide a steadily expanding market for the products of Hungarian industry, concurrently with possibilities for the import of a number of basic raw materials from them, primarily from the Soviet Union. Hungary's foreign trade with the CMEA countries, however, does not show a one-sided pattern as its needs for imported machinery are in large part supplied by those countries. The various forms of technico-scientific co-operation have also made it possible for Hungary to share the production experience of the member countries. Beyond a remarkable increase in foreign trade turnover, this form of co-operation has also made for the planned development of the Hungarian national economy, the acceleration of economic and technical progress, the constant improvement of productivity and the material welfare of the people.

26. As a result of co-operation, the share of CMEA countries in Hungary's foreign trade is about 67 per cent, being rather significant but by no means exclusive. The development and regular expansion of international economic relations with every country capable of entering such relation is no mere desire nor a matter of decision on the part of Hungary, but ensues from its specific position, given the scarcity of raw material resources and the comparatively small size of the domestic market. Hungary's scarce supply of raw materials and development of its technology to modern standards of mass production call for economic co-operation with other countries and a systematic expansion of international economic relations, both with the industrially developed capitalist countries and the developing countries.

## II. REVIEW OF THE DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN HUNGARY AND THE DEVELOPING COUNTRIES

### An Over-all view

27. The economic contacts that have developed with the developing countries during the past decade present a new feature in the economic life of Hungary. A review of these contacts is not intended to give a detailed account of the past, but rather to seek out the tendencies, characteristics and emerging forms of contacts that seem to be of importance for future development. While expanding its economic relations with the developing countries, Hungary is seeking to widen and strengthen the existing pattern of the division of labour. The present form of division of labour cannot be considered permanent, and a better knowledge of the demands and their gradual satisfaction according to the possibilities are goals towards which every partner country is striving.

28. Hungary never has had colonies nor played a significant role in overseas trade nor had capital export. In the inter-war years, it developed economic contacts with some developing countries such as Argentina, Brazil, Egypt and India. The economic relations of Hungary with developing countries began to widen in the decade immediately following World War II and started a vigorous development in the past ten years. Since 1958, trade with these countries has risen at an annual rate of about 18 per cent, representing the most-rapidly developing sector of foreign trade as a whole. The share of developing countries, including Cuba and the socialist countries in Asia, in total foreign trade is now only around 8 per cent.

29. As a result of its political principles and economic interests, Hungary is vitally interested in active participation in the international division of labour. It is therefore ready to expand economic-commercial contacts on the basis of the principles of equality among States and respect for the right of peoples to self-determination. The building-up and regular expansion of international economic relations are no mere desires on the



part of Hungary, but ensue from its specific position of a country with a relatively narrow raw material base and domestic market. The degree of Hungarian participation in the international division of labour is broadly indicated by the ratio of national income to exports. The value of Hungarian commodity exports amounts to thirty-six per cent of the national income, representing a rather high ratio among the best in Europe. This situation requires economic co-operation with other countries and regular expansion and development of international economic contacts. These requirements are taken fully into account in drawing up plans for future economic growth.

30. Hungary assists the developing countries in the consolidation of their economic independence and, accordingly, in the development of their industrial potential, for the reason that, as a socialist country, it considers this to be a basic and progressive requirement of the times. Along with the coincidence of political interests, however, it is no less important to take into account the real possibilities offered by the structure of Hungary's national economy and foreign trade for the dynamic development of commodity relations, with due regard for the possibilities and needs of the developing countries themselves.

31. Since the close of World War II, Hungary has built up a significant industrial capacity in regard to metallurgy, engineering, electrotechnics, railway and road vehicles, ship-building and port installations, various branches of the chemical industry (pharmaceuticals, manufacture of fertilizers, plastics industry), aluminum industry, light industry, food industry, manufacture of equipment for the food industry etc. This line of development is actually reflected in many ways by Hungary's exports to the developing countries, with machinery and equipment averaging up to one third of exports in annually-changing orders of magnitude.

32. As noted earlier, Hungary is poorly supplied with raw materials and is compelled to import considerable quantities of raw materials. It regularly imports various raw materials produced in developing countries.

For different reasons, Hungary still purchases part of the raw materials produced in developing countries from trading companies in the developed capitalist countries. Hungary advocates the development of direct trade with developing countries, but the full realization of this endeavour calls for continued efforts by both sides.

#### Hungarian exports and industrialization

33. The delivery of complete factory equipment has been an important item in the exports of machinery and equipment. Between 1955 and 1966, contracts were concluded with developing countries for delivery of a relatively large quantity of major capital equipment. The deliveries of complete equipment helped, in part, in the development of infra-structure in developing countries and directly contributed to industrial growth as well. The delivery of capital equipment directly promoting industrialization was also considerable.

34. It will be mentioned, by way of illustration, that exports included deliveries of a power plant to the United Arab Republic (at Tabin) and India (at Faridabad); of hydroelectric stations to India (at Ganderbal); of dwarf hydroelectric stations to Mongolia, etc. Hungarian experts built a railway and a highway bridge at Helwan, in the United Arab Republic. A wire-cable works and a medical instruments factory, as well as a welding electrode factory, were delivered to the United Arab Republic; a reinforced sleeper factory to Syria and Iraq; and a blasting cap factory to India. Exports to the Republic of Cuba included the delivery of a complete glass-works and a repair shop for diesel motors. Built according to Hungarian plans, a vitamin factory is operating in India in co-operation with the Hungarian pharmaceutical enterprise concerned. Other exports were a repair shop for trucks to the Democratic Republic of Vietnam; a paint and dye factory to the Democratic People's Republic of Korea; a fluorescent lamp factory to India; a lamp shade factory to Indonesia; and telephone exchanges and various types of power plant equipment to several developing countries. A clothes factory (ready-to-wear) and a plant manufacturing biological products (veterinary vaccines, vitamins, antibiotics and nutritive fodder) were installed in Mongolia. In the past fifteen years, deliveries of various rolling stocks

were made to the United Arab Republic, Indonesia, India, Burma and Argentina, at a total value of nearly 100 million dollars.

35. At present, negotiations are well under way between the interested economic organs of Hungary and several developing countries for delivery of a steel tube factory, a steel bottle factory, thermal plants, veneer mills, ore dressing equipment, complete port installations for continuous operation, and equipment for alumina factory. In the talks, the Hungarian side is led by an endeavour to enlist the industrial potential of the developing countries by the production of complete equipment to be delivered to them. The developing countries and Hungarian enterprises are to build up co-operation in the manufacturing process, under which the Hungarian side will supply the necessary equipment and specialists for the initial operation of plants, as well as such other equipment as may be required in the different phases of development of completed projects.

36. Hungary also undertakes to train the required number of engineers and skilled workers. On the other hand, part of the equipment will be delivered by the developing countries. This pattern of Hungarian activities applies in the first place to India, the United Arab Republic and Ghana.

37. This study is not intended to make a comparative analysis of the degree of participation of individual countries in the industrialization of developing countries, but it should be pointed out that Hungarian participation shows an upward tendency and that co-operation with developing countries is gradually broadening and becoming an increasingly important area of Hungary's economy.

#### The expansion of relations

38. Hungary is making a conscious effort to expand trade with developing countries. With this end in view, several trade, financial and other agreements have been signed in past years, and permanent trade offices are set up in a growing number of developing countries. Hungary at present has regular trade with some eighty developing countries. The growth of

trade has been favourably influenced by the conclusion of State agreements and the establishment of Hungarian trade offices in developing countries. The expansion of economic relations has brought the best and most enduring results in those countries with which long-term trade and economic agreements (covering also the question of credit grants) as well as agreements for technico-scientific co-operation had been concluded. In this connexion Hungary's aim was to have these bilateral agreements reflect the principles adopted by the United Nations Conference on Trade and Development and contain long-term objectives based on mutual possibilities and on an accurate assessment of needs.

39. An analysis of the dynamics of trade reveals that the growth of trade is most rapid with the developing countries in Africa and Asia, where Hungary has its most important partners among the developing countries. These include the United Arab Republic, the Sudan, Morocco and Nigeria, in Africa; India, Syria, the Democratic Republic of Vietnam, the Democratic People's Republic of Korea, Iraq, Lebanon, Iran and Pakistan, in Asia; and Cuba in Latin America. In certain areas, the expansion of trade encounters difficulties which are partly economic, partly political in nature. Even in the most recent past, the influence of former colonial Powers was still so strong in more than one developing country that representatives of the socialist countries could hardly find access to their markets. In some other countries, particularly in Latin America, the broadening of economic contacts is meeting with difficulties, chiefly for political reasons.

40. It can be stated with satisfaction that Hungary is broadening further its relations with developing countries and keeps building up new relationships. Recent additions in this connexion are Kuwait, Afghanistan, Cambodia and Singapore, in Asia; the Congo (Brazzaville) and some West African countries in Africa; and Ecuador in Latin America.

Credits and technico-scientific co-operation

41. Hungary is also promoting economic relations by granting credits. While in external trade Hungarian import purchases are charged high interest rates and repayments are generally made in convertible currency, Hungary offered to developing countries credits amounting to some 200 million dollars, under favourable terms, between 1958 and 1966. Developing countries pay 2.5 per cent interest on Hungarian government credits. The trade credits granted directly by Hungarian enterprises are similarly favourable to developing countries, which repay interest and credits generally by delivery of their own products instead of in convertible currency.

42. Supported by its own experience, Hungary considers that developing countries are justified in their endeavour to be enabled to export, in addition to raw materials and foodstuffs, growing quantities of industrial articles, produced equally in light industry and in technologically more complicated branches. To achieve this is no easy task, and both the exporting and importing countries will still have to overcome a number of difficulties. Within the limits of its possibilities, Hungary is complying with the recommendations of the United Nations Conference on Trade and Developments (UNCTAD), which seek to increase the imports of industrial consumer goods from developing countries. This has resulted in increasing imports of cotton and wool cloth and leather shoes. In recent years, Hungarian purchases from developing countries have included primary materials for medicaments, various instruments and machinery. Hungary is trying to ensure a market also for the heavy industry of developing countries. Thus, among other things, it purchased freight cars from India and refrigerators from the United Arab Republic in 1966.

43. The technico-scientific relations of Hungary with developing countries started to develop only in the past few years. With a view to the expansion and strengthening of such relations, the Hungarian Government has signed agreements on technico-scientific co-operation with several developing countries. On an ad hoc basis, technico-scientific co-operation is undertaken with many a developing country even in absence of a general

agreement. With an eye to the needs of developing countries, practicable forms of technico-scientific co-operation have taken shape in the following main fields:

- (a) Initial and advanced training of specialists from developing countries;
- (b) Sending of Hungarian specialists to developing countries;
- (c) Co-operation in planning, organization and research;
- (d) Usually, free transfer of technical documentation other than patents and licenses.

44. An ever-increasing number of Hungarian specialists are co-operating in developing the national economies of developing countries. In the recent past, 180 to 250 specialists have worked each year in technical or economic fields in developing countries. The number and activities of geologists and water resources specialists are particularly notable.

45. Within the framework of co-operation, 250 to 300 specialists from developing countries are trained in Hungary every year, and more than 500 fellows study at Hungarian universities and colleges. Most of them study technical sciences and economics, receiving theoretical and practical training related to the industrial development of developing countries. Hungary is similarly increasing its contribution in the training of skilled workers for developing countries. Training takes place partly in those countries and partly in Hungary. Hungarian participation in the preparation of scientists is also growing.

46. Technico-scientific co-operation is, in part, realized within the framework of the specialized agencies of the United Nations and of other international institutions. Hungary has participated in the implementation of United Nations technical assistance programmes for more than ten years and the amount of its regular contribution has about trebled in comparison to previous years. Part of these contributions is used for extension training of specialists from developing countries and for sending Hungarian specialists to these countries, with the aim of providing technical assistance. Successful seminars have been held by the United Nations in Hungary on problems of the building industry which also affect the industrialization of developing countries.

47. In the light of experience gained so far, the participation of Hungary in the promotion of industrialization in the developing countries may be considered successful and varied even by modest standards. Competent Hungarian organs are seeking new methods for expanding relations and direct aid, and for improving the efficiency of such assistance.

### III. SOME PLANS FOR THE INCREASED CO-OPERATION OF HUNGARY IN THE INDUSTRIAL GROWTH OF THE DEVELOPING COUNTRIES

#### Features of the development of economic relations

48. The promotion of industrialization in developing countries calls for joint efforts on a world scale. The developing countries, where the majority of the world's population is concentrated, provide less than 7 per cent of the world's industrial output, and their share in the output of the world's heavy industry is lower still. Since previous efforts to promote industrialization in the developing countries have contributed only a little to the acceleration of this process, further effective action needs to be taken to establish a pattern of co-operation which, while giving an impetus to industrialization in the developing countries, will facilitate the laying of new foundations for the international division of labour.

49. Hungary's economic relations with the developing countries are built upon mutual benefits, because this is the basis of steady growth. The attainment of mutual advantages, however, creates special requirements in relation to the developing countries, since the fundamental problems confronted by the developing countries and whose solution has been made the order of the day by the changed international situation and the development of world economy cannot be left out of consideration. The specific feature of giving effect to the principle of mutual advantages in economic relations with developing countries appears in the fact that the economic relations, although developing on the basis of mutual advantage, also contain the elements of assistance to the developing countries. This is not a simple task, and there still remain a number of difficulties to be overcome both by the interested developing countries and Hungary in order to establish an appropriate pattern of this kind of co-operation.

#### Plans for industrial co-operation

50. The developing countries are taking an increasingly active share in international commodity trade. The ability of developing countries to meet competition in world markets has palpably increased in certain aspects. The



development of inter-country economic relations points to the need for a new type of division of labour to emerge on a world scale. Developing countries have already achieved some results in certain fields of industrial development and, beyond the sphere of traditional production, have come to satisfy part of their internal market demands with domestically produced industrial products along with their gradual participation, according to their level of economic development, in industrial commodity trade with developed countries.

51. This trend of development may well have a favourable influence on all participating countries. Developing countries are gradually freeing themselves from the one-sided pattern of raw material production, which, in the longer run, constitutes a prerequisite for a vigorous growth of world economy and international trade. It is therefore advisable for the industrially more developed countries to increase the manufacture and export of those products which bring them economic benefits. In the process of production, consequently, greater weight should be given to factors which, for example, Hungary is able to ensure at the present stage of its development but which are not yet abundantly available to developing countries (technical and technological level of production, know-how etc.). As development moves forward, the difference in levels of production is likely to diminish progressively, and there might emerge a healthier pattern of division of labour among countries or groups of countries.

52. Such a trend of development may be viewed as useful even under Hungarian conditions, as this makes it possible for the Hungarian national economy to expand commodity trade with developing countries. This can be achieved if the import capacity of the developing countries increases, which in turn is connected with the progress of industrialization in the developing countries and with general economic growth.

53. More access of the industrial products of developing countries to the markets of the industrially developed countries is not sufficient. What is needed is the formulation of a policy of technical, economic and co-operation which aims to accelerate the process of industrialization and to strengthen existing industrial assets in developing countries. At the 1964 Geneva Conference

on Trade and Development (UNCTAD), the Hungarian delegation, in common with other delegations, proposed that co-operation between the socialist and developing countries should, among other things, take the form of sectoral agreements on partial division of labour, which would provide facilities for developing countries to process their own raw materials locally.<sup>1/</sup> It seems desirable to develop this new type of international co-operation with the developing countries, based on partial division of labour aiming to promote industries already in operation and to be established in these countries. It should be noted with regret that at present no essential progress may be observed in the implementation of the UNCTAD recommendation on this question.<sup>1/</sup> It is believed that under such industrial agreements, a certain degree of specialization might also be achieved in the production of export-promoting industries established in developing countries. Should this line of co-operation with the developing countries take shape and work out to the satisfaction of the interested parties, consideration might also be given to the setting up of separate bilateral sectoral committees to deal with the application of agreements and with other essential economic problems affecting co-operation with the developing country concerned.

#### The expansion of technico-scientific co-operation and technical assistance

54. For a long time to come, developing countries will feel the need for the economic, scientific and technical co-operation of the more developed countries. This co-operation and assistance as a long-term objective is feasible economically. What is needed is to satisfy actual demands over a long period within the framework of technico-scientific co-operation with the developing countries. In the light of current experience and realistically assessed demands, as well as the capacity of Hungary's national economy, development of this co-operation seems possible in the following main fields:

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<sup>1/</sup> The Conference recommended a new type of international co-operation in the form of industrial branch agreements between the countries concerned, based on partial division of labour aimed at promoting the existing and establishing new export industries in the developing countries. (For text, see Proceedings of the United Nations Conference on Trade and Development, vol.1, Final Act and Report (Sales No:64.II.B.11), Annex A.III.2, p. 35.)

- (a) Agricultural, food and fodder production;
- (b) Water prospecting and water economy, which is partially related to agriculture;
- (c) Geological research and exploration;
- (d) Co-operation in the development of small-scale industry;
- (e) Health service and pharmaceutical industry;
- (f) Hungarian experience may be utilized in the vehicle industry, including the manufacture of rolling stock;
- (g) A significant role in co-operation may be played by the various branches of telecommunication concerning the establishment of telephone as well as radio and television networks;
- (h) Hungary has broad production experience and technical know-how, particularly in the field of aluminum and alumina production;
- (i) At later stages, co-operation might be extended to additional branches of industry.

55. In relation to developing countries with which it has not yet developed close trade relations, Hungary is widely applying the method of sending to these countries teams of experts, who are not only concerned with exploration of export or import possibilities but also are engaged in complex economic survey operations.

56. The growth of technical-economic contacts with developing countries may be fostered by establishing co-operation in various fields of production, under which Hungary would, along with delivering necessary equipment, offer its services in putting into action and operating newly established plants. Similar arrangements have been made, for example, with India, in connexion with the delivery of equipment for the aluminum industry.

57. In the course of industrialization of the developing countries, a significant role may be played also by development of small-scale industries, in accord with large-scale industries, as they are directly integrated in the existing economy and are based mainly on local resources. In view of this, Hungary deems it desirable to expand the range of its activities in the development of small-scale industries in developing countries. A Hungarian foreign

trade company has set up a separate section for this purpose and has entered into contracts with several Hungarian industrial enterprises and artisans' co-operatives for production and export of small-size industrial plants. The value of exported plants ranges from 20,000 to 200,000, and their operation ensures a quick return of the capital input. In some cases, the Hungarian partner applies different forms of co-operation in this field. The foreign trade companies of Hungary are able to deliver various types of small-size plants, including those for manufacture of agricultural implements, precision foundries, transformer-manufacturing plants, plastic-moulding works, leather processing works, box-making factories, and so on.

58. The technical projection, development and research institutes of Hungary are able to render effective aid towards the industrialization of developing countries. TEBCO (International Bureau for Technical-Scientific Co-operation) was especially set up for the purpose of providing and arranging technical services for developing countries, particularly in the following fields:

- (a) Carry out scientific research work in specific fields;
- (b) Preparation of various preliminary studies;
- (c) Technical projections;
- (d) Collaboration in inviting and considering tenders;
- (e) Works management;
- (f) Organization and direction of executing projects.

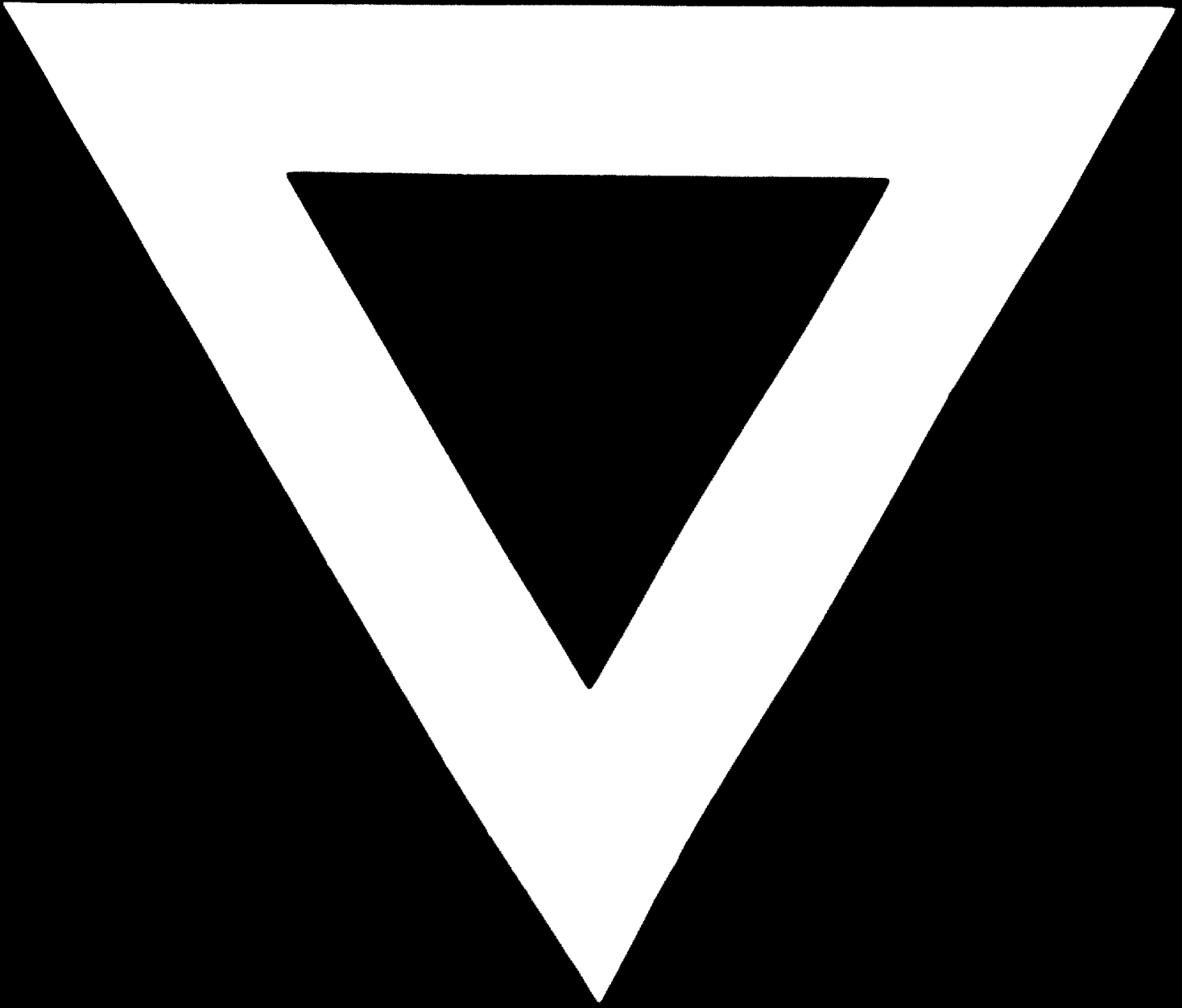
The basis of this work lies, first and foremost, in concentrated and specialized Hungarian planning and in research institutes recognized to be staffed strongly even on an international scale. This activity will be complemented by a Hungarian Consulting Engineering Office, to be set up shortly in Algeria and India.

59. Hungary has already expressed its readiness to expand its co-operation and activities, within the bounds of economic possibilities, in the industrial development of developing countries. Accordingly, in drawing up its long-term national economic plans, it takes into account, to the extent permitted by the

possibilities, the diversification and increase of imports from developing countries. The Hungarian authorities endeavour to create favourable conditions for imports from developing countries. It is, of course, equally desirable for developing countries to ensure to Hungary conditions that are not less favourable than those usually accorded to other countries in the field of trade and co-operation. Hungary can only ensure the full and lasting utilization of the possibilities available for expansion of exports of developing countries and inherent in the development of industrial co-operation if the developing countries also increase their imports from Hungary. There is also a possibility for Hungarian trading organs to conclude long-term goods-exchange agreements with developing countries. This may prove to be an effective means of expanding trade, particularly industrial exports, and it could directly contribute to the implementation of economic development programmes in developing countries.

60. The creation of the broadest possible basis of industrialization in developing countries is an urgently pressing task, and it is desirable that the United Nations also support this effort with all the means at its disposal. The establishment of UNIDO, whose primary concern is to promote industrialization in the developing countries is, therefore, to be welcomed. Hungary is looking forward with great hopes to the activity of this new organization, for it provides an appropriate institutional framework for solution of these problems. Industrialization raises serious and very important questions whose solution will take a long period of time.

61. The work of UNIDO may in the future favourably influence industrialization in the developing countries as, among other things, it is likely to ease the access by the developing countries to the technological and production experience of the more developed countries. The UNIDO can take its share in exploring and efficiently resolving the problems arising from co-operation in the field of production between individual countries and groups of countries. The UNIDO activities are another factor to be taken into account in shaping a new and more effective pattern of international division of labour.



**4. 10. 71**







