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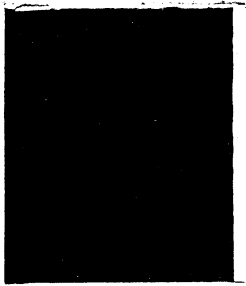
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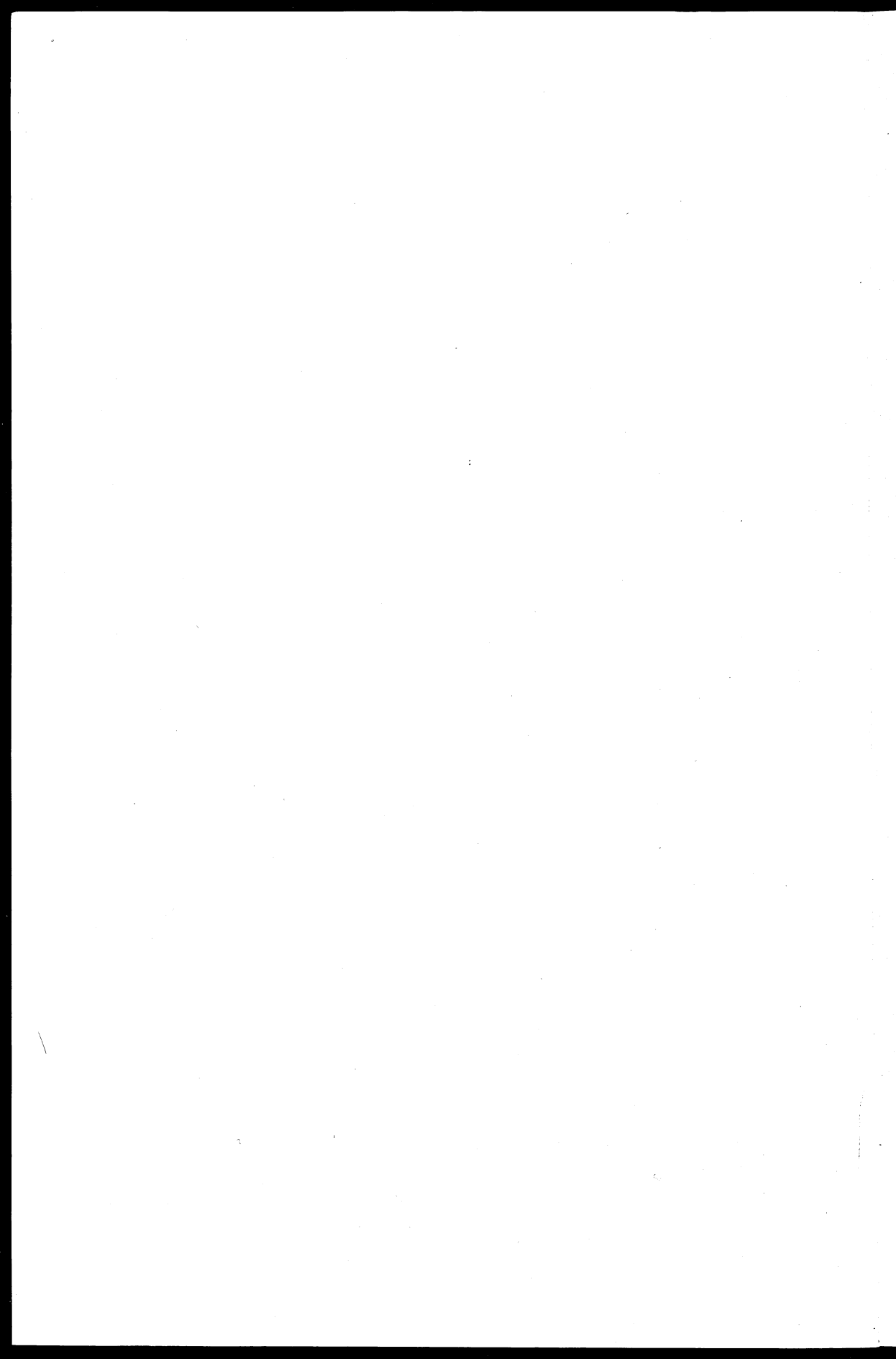
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CHANGES IN OUR AGRICULTURAL TRADING WITH THE
EASTERN EUROPEAN REGION
WITH SPECIAL REGARD TO MEDIATION TRADE

by

JÁNOS KARTALI

BUDAPEST

1993

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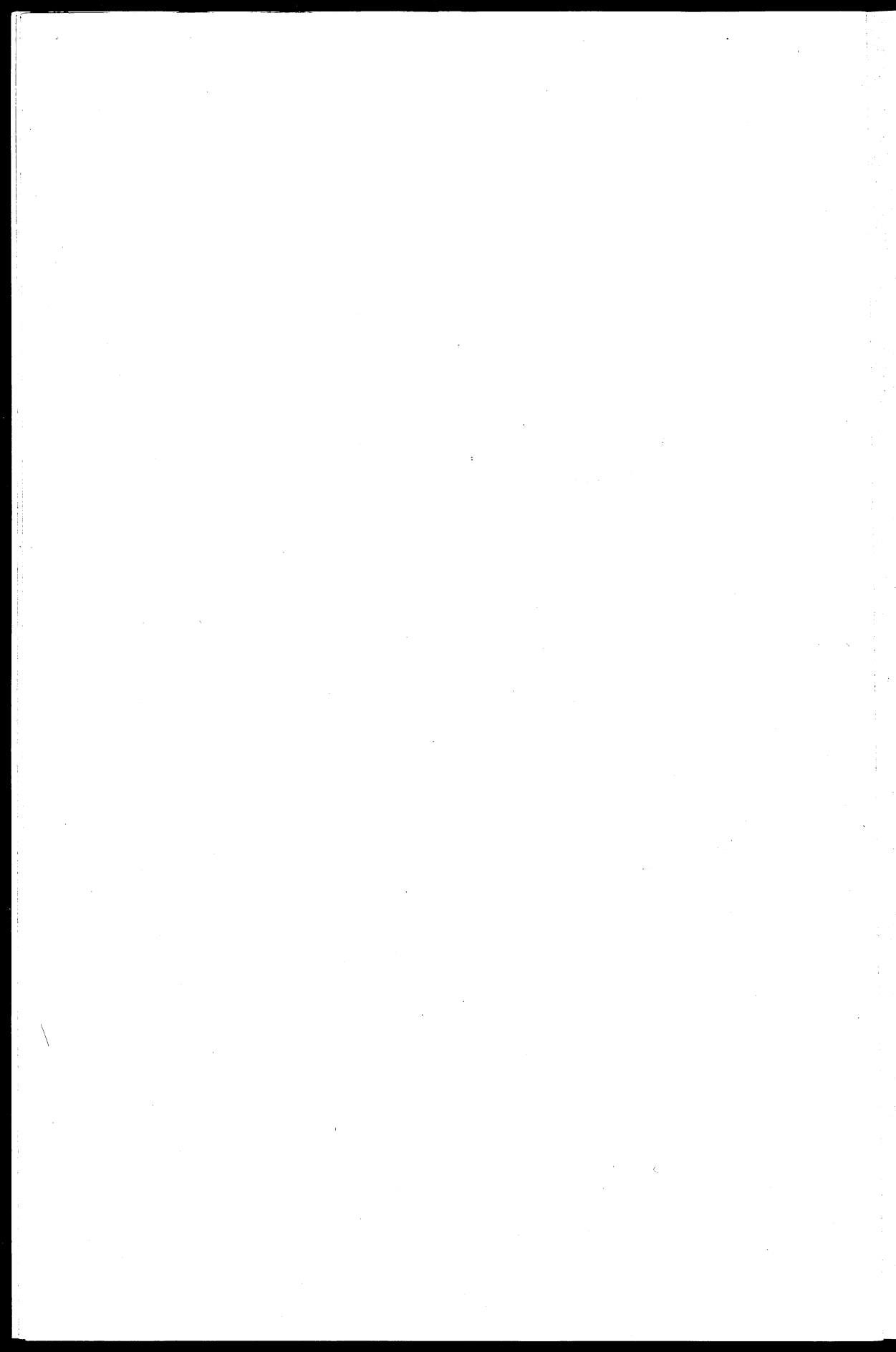
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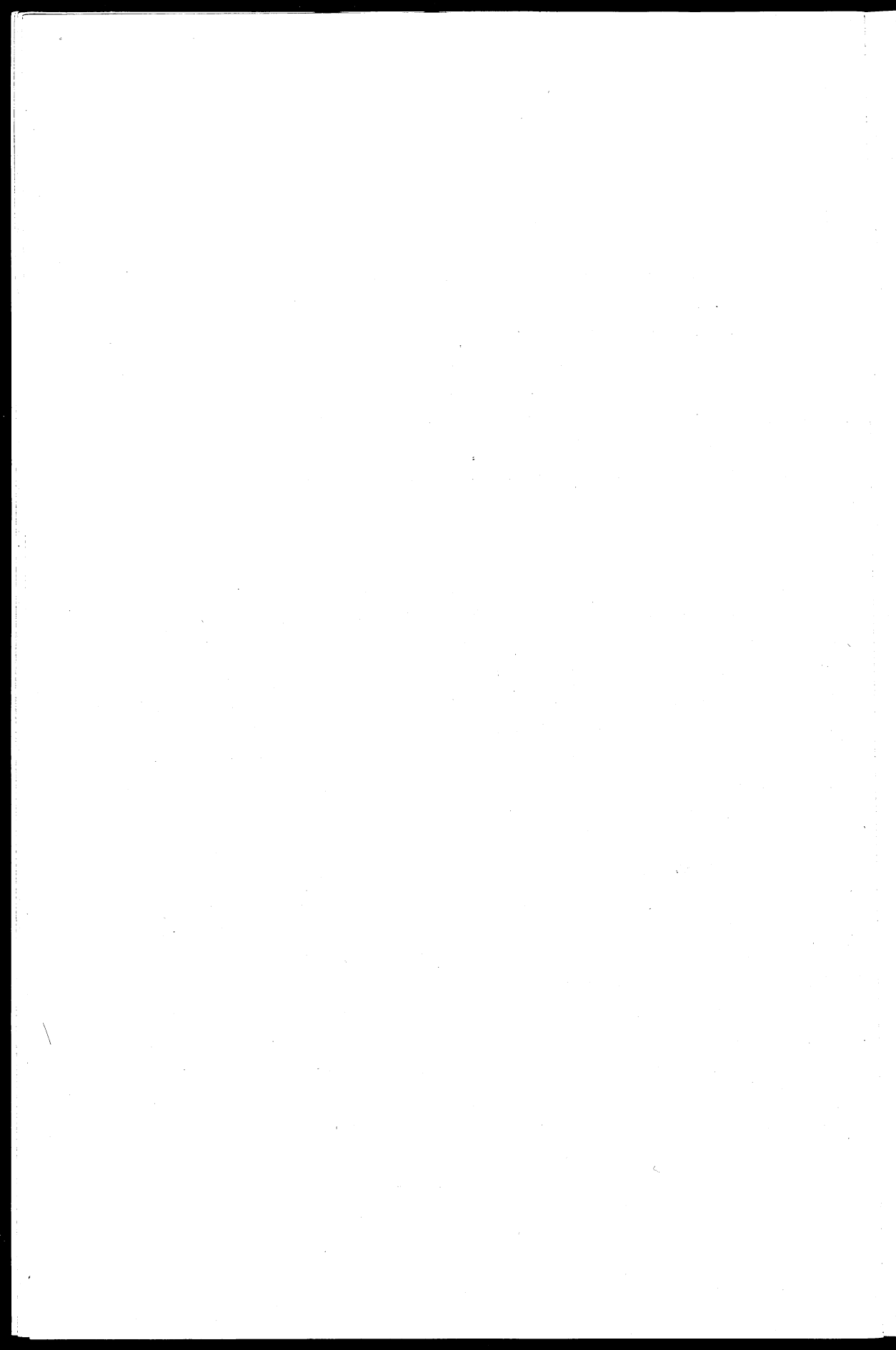
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INTRODUCTION

This study has been elaborated as a continuation of the research activity conducted in our institute, bearing the title "Situation of agricultural trade in the region and the potentials of future cooperation". We are amidst the process of the change of political and economic regime in the countries of the region and the signs of evolvement are not unambiguous yet, however, we consider it as justified and important to outline a picture on the region's countries which would illustrate the rapid changes following the long period of stagnation, in particular the general economic situation of the region, the crises that have developed, the similarity of their nature, the differences in terms of their size. Also, we detail in this study the causes and consequences of the disintegration of the former economic structure and organization, the situation of the inflation and unemployment, the termination of the COMECON as an integration and the coming into existence of the Visegrad Pact as a loose form of integration.

However, the countries of the region deserve attention not only in respect of their being the potential markets of the Hungarian agriculture and food industry and also being the territories for a new international cooperation to be developed later on but the region's economic reform processes, the different therapies (shock therapy or continuous transition, respectively), the other means of privatization and of the change-over to market economy, the positive and negative phenomena of the transformation of the trade - first of all the foreign trade - with special regard to the foreign trade of agricultural produce, may serve as good or bad examples in the course of the Hungarian economic transformation. From both points of view the general economic situation and within this the situation of and changes in the agriculture in the countries of Eastern Europe deserve attention.

The disintegration of the region's traditional economic relationship scheme resulted in several new phenomena. Within this, the abrupt growth of the proportion of barter and mediation trade (triangular transactions) is of high importance. The new-type regulation and organization caused mostly disadvantages to us; the transformation of the character of foreign trade relations affected the volume and composition of our agricultural exports to the region unfavourably. In our study, we deal with both the theoretical and practical issues of the mediation trade.

We have treated the wide spreading of the mediation trade as an especially important issue being a new phenomenon that can be experienced in the agricultural trade of the region for some years and the reasons involved, respectively. Of course, this group of issues significantly goes beyond both the agrarian sphere and the foreign trade sphere and it is strongly associated with the general economic situation of the region and, within this, that of our country, as well as with our financial and financing problems. Of course, the worsening of the solvency to a great extent, furthermore the strongly marked economic, military and frontier changes that have taken place in the region, have also substantially transformed the form and scope of cooperation and the organizations involved, including the replacement of the staff and the appearance of new (or new-type) entrepreneurs which also implied the breaking up of old relations to a great extent. With the change in the producer's and foreign trade organizations we deal mainly in terms of its connection with the mediation trade.

The financing problems affect not only the foreign trade transactions but also the whole agrarian sphere, however, a detailed examination of it would go beyond the framework of this study. Also, the privatization in the region played a role in the changes under survey; we have not examined the how of it, we have only examined its effects exerted on this group of problems.

With regard to the fact that in our Department research projects have recently been and is being implemented during which we have reviewed (in chronological order) the changes that had taken place in the agricultural economy and agricultural foreign trade of Czechoslovakia, Poland, Russia, the Ukraine and the erstwhile GDR and the research of certain issues relating to the change of markets of the hungarian food economic exports belongs to our tasks to be completed this year, therefore we have discussed this scope in the framework of this study to an extent inasmuch it has been indispensable in respect of examining the major issues. This year, we have continued to conduct our research activity relating to the possibilities of agricultural foreign trading with Russia and the Ukraine; in this study we have not dealt with these countries specifically but in a way and to an extent as to present the correlations in the region.

We detail the issues of regulating the agricultural market, the agricultural market regime and the agricultural exportation in connection with the changes in the agricultural trade in the region and with the mediation trade, respectively.

With regard to the fact that the processes have not been completed yet and the extreme phenomena (putsches, civil wars, embargos) that can be experienced here and there and the signs of economic chaos, the uncertainties of the regulation in certain countries of the region, the sudden stops of reform processes from time to time do not allow us to have a clear view in every respect and to draw unambiguous conclusions. At the same time the role of the region in the Hungarian agricultural exports is still indispensable despite the volume as it has decreased by now. Due to these facts, it is reasonable not to consider our research activity conducted in this regard as accomplished but to revert to this topic later on. It is especially essential to analyse, later on, the Central and Eastern European agrarian policies of the period of change as well as to subject the process of transformation of the economic organizations to further research work.

1. General situation of the region

Simultaneously with or subsequent to the change of political regime, the economic reform processes were launched in all countries of Eastern Europe and, where these processes had begun formerly, they began to accelerate. (In the following brief review I do not discuss Hungary specifically, the Hungarian data in the tables are for comparison or, in some cases, for completeness.)

The general crisis phenomena of the region's countries i.e. the general decline in the production, the rapid growth of the inflation rate, the growth of unemployment, the drop of real wages and of the living standard are, in general, typical but their extents show substantial differences. A significant difference is also available among the individual countries in respect of when the decline in the economy started. First, the worsening of economic indices can be experienced in Poland where the GDP began to decrease as early as at the turn of the 1980s and the years 1981-1985 saw an average annual decline of 0.8 per cent.

At that time, the value of the GDP still grew in the other Eastern European countries, though in Yugoslavia, the rate of growth was already very low.

The worth of the Gross Domestic Product was growing only in the Soviet Union and in Czechoslovakia in the second half of the 1980s whereas, in Poland, the decrease continued (though at a lower rate than in the preceding 5 years). In Rumania, an annual average decline of 3.5 per cent can be seen as early as in the above-mentioned 5-year period.

The year 1990 was the landmark when the GDP of the erstwhile socialist countries began to decrease (to smaller or greater extent, respectively). This decrease continued in 1991-92 and the production declined by even more than 20 per cent in the countries suffering from war (Croatia, Small-Yugoslavia, Armenia, Azerbaidzhan).

Also Poland was the first country where the inflation began and it exceeded 60 per cent as early as in 1988 and, by 1990 the hyper-inflation occurred as well: the inflation rate was nearly 600 per cent. Similar phenomena took place in Yugoslavia, too, where the hyper-inflation in 1989 resulted in a more than 12-times price increase and, still in 1990, a nearly 6-time price increase could be seen. In the successor-states of the Soviet Union the inflation became intensive as late as in 1991 and the signs of hyper-inflation appeared in 1992-93 (9 to 10-times price increase per annum). So far both successor-states of Czechoslovakia have got off most easily as regards the attack of the inflation. The highest inflation index developed in the Slovakian Republic: 61 per cent in 1991. (The inflation indices of Hungary are lower than that but the tendency proves lasting.) The signs of hyper-inflation can also be observed in Bulgaria and in Rumania where there was not more than 2 to 3-times price increase during one year but lasting inflation tendencies can as well be seen.

The post-socialist societies could already encounter with the inflation phenomenon in the case of Poland but the unemployment appeared as a new phenomenon in the region, at the end of the 1980s. The requirement for "full employment" was though not met by Yugoslavia as early as in the second half of the 1980s either (Yugoslavia was "different" from the group of socialist countries in other respect, too), the unemployment there reached 10 per cent as early as in the years mentioned hereabove.

The unemployment appeared to a greater extent in 1991-1992 in the countries of the region with the collapse of some branches which was caused among others by the in competitiveness of the branches and the lack of effective market demands. (As for its nature, the unemployment here is different from that in the countries of developed market economy.) As for the whole of the region, the worsening of this index, too, is becoming more and more intensive in the recent years.

Although the exactness of measuring the real wages is disputable, it can be regarded as almost natural that the consumer's price inflation was not the least followed by the increase in wages in the Eastern European countries, thus the index of real wages was of negative sign in 1990-91-92, apart from some exceptions.

In the erstwhile socialist countries, the shortage and surplus appeared at a time which, among others, refers also to the fact that the distribution system functioned at an even lower efficiency than the other sectors of the economy.

The COMECON, as an integration, ceased to exist and thereby the products of the region's countries are no more granted the protection in each other's markets which had been granted by the former inter-state trade. This kind of trade represents substantial differences in every respect, featured by providing the security of selling the goods, market stability, prices, ratios of exchange of goods, imported items necessary for the production and by monopolistic company partnership alike.

Signs of the economic crisis are, among others, the foreign and domestic indebtedness, the shortage of foreign exchange, the general lack of capital, the impoverishment of the population and the polarization of consumer's strata.

The foreign indebtedness of the Eastern European countries have continued to increase in the recent years, though they "gathered" their really large debt stock during the 1980s. In 1992, Poland and Hungary could moderate their debt stocks to a small extent whereas the debt stock of the other countries has increased. And, the countries that are not indebted e.g. Rumania, are - as a matter of fact - in the stage of "deferred indebtedness" since there is a shortage of capital being greater than the average there in terms of investment projects (and also of the level of consumption).

It is characteristic of the crisis in the region that a very great number of companies is becoming bankrupt which was not imaginable in the former régime. (E.g. in 1993, in Rumania

112 companies became bankrupt; several companies of them were compelled to close down.) Also the extremely long chain of companies owing to another company was typical. Despite this fact, an IMF-study deems: "the small number of companies that have so far become bankrupt is surprising". The bankruptcy cases affect both the old companies and the newly established ones. Knowing the high risk of establishing new enterprises, the IMF's statement quoted hereabove can be understood.

The political change in these countries also involved the change of the economic system which was also followed by the reorientation of the foreign economy. With the transformation of the foreign trade composition, the orientation towards countries changed as well: the dominance of the foreign trade relations among the region's countries ceased and partly deliberate, partly spontaneous elements strengthened, in every country the orientation towards developed Western market economies. This came in a relatively developed European countries up to the idea of joining the Common Market and up to negotiations in this regard, respectively. The countries of the region intend to prove that they are more suitable for being admitted to the EC than anyone else.

"The Visegrád Three" (then "Four") signed as early as in 1992 an Association Pact with the EC and subsequently in 1993 Rumania and Bulgaria also signed such a pact. The trading with the EC based on the most-favoured nation principle, dates back to a still earlier date and all countries of the region joined the general system of preference (GSP) of the EC. Also since 1990 an approach toward the other Western European integration, to the EFTA. The countries of the region, with the exception of the member-countries of the former Soviet Union, of the ex-Yugoslavia and Albania, concluded free trade agreements with EFTA. Also since the end of the 1980s the relation of the region with the United States of America began to strengthen. This new foreign trade reorientation has not only loosened the foreign trade ties among the countries of the region but it has in part also served as a basis for the development of

triangular transactions. Namely, the Eastern European traders have appeared with their offers to an extent resulting in a still greater oversupply than before in the developed western markets being buyer's markets anyway, while in some Eastern European countries there had been a substantial demand for these very commodities. This demand, however, was only rarely accompanied by solvency and the state intervened in the barter deals becoming more and more current in the mid-1980s and at the end of the 1980s by various prohibitive measures, therefore western traders well provided with capital, backed up by private banks and by the government, could only stand the competition. We have lost our former competition benefits in these markets to a decisive extent. In this regard I refer to the statements made by a study issued formerly by our Institute: "Our competition benefit in the Eastern markets are constituted first of all by the neighbourship, the small transport radius and the traditional relations. Nevertheless, the exaggerated optimism is not reasonable in respect of these markets either, namely, due to the oversupply of agricultural produce all over Europe, those having surplus goods are expected to make the possibilities of selling the Hungarian agricultural surplus produce in these markets more difficult."

It is characteristic of the foreign trade turnover of the region that the exports decrease along with the decreasing production, the imports stagnate or increase (apart from certain cases) therefore the debt position of the region continues to worsen. Also the change of markets incidental to the reorientation of foreign trade is characteristic: the growing share of the western region both in the export- and in the import-markets, and the decline in the foreign trade among the countries of the region. Due to the decrease in the competitiveness of processed products produced in Eastern Europe, the composition of the foreign trade turnover continues to worsen and in the exports a growing share is represented by the raw materials and energy carriers whereas in the imports the share of processed products grow.

It is characteristic of the foreign trade turnover of the Easter-Western regions that the EC's foreign trade balance with Easter-Europe showed, till 1990 a deficit. In 1991 this tendency was reversed and there is a growing export surplus from the EC over the region. This appears as a strongly marked export surplus first of all in respect of Germany, since Germany has a share of 56 per cent in the EC's exports to Eastern Europe. At the same time, the EC's foreign trade with the region is of marginal nature for the integration since in 1992 it represented a share of as little as about 1.7 per cent in the total foreign trade turnover of the Community. This at the same time also indicates that the EC could afford more generosity in respect of making concessions regarding the region's foreign trade.

The trend of the Hungarian foreign trade turnover in 1993 indicates that - although only in relative terms - the role of Central and Eastern Europe in the Hungarian foreign markets began to grow again. In the first eight months of 1993 the total Hungarian exports to the EC decreased by 1/3rd and the exports to the EFTA-countries decreased to almost the same extent, too. Though the worth of Hungarian goods sold in the Central and Eastern European countries decreased as well but this decrease did not even reach 20 per cent. Thereby the role of the former COMECON-countries in the Hungarian foreign trade relations grew afresh (for a strongly diminished basis).

The situation in respect of the distribution of our agricultural and food industrial exports is different from the general situation, namely here (to the available figures on the 1st half of 1993) after a growth of share in 1992, the share of the region in the exports of the sector decreased again: a little over one quarter of our agricultural exports was supplied to the region. This means a share being substantially lower than that experienced in the past 4 years. A decisive part of the exports not supplied to the region increased the share of the EC and that of the EFTA.

On the economic transformation of the region, a concrete summary is given by Márton TARDOS:

"The political and economic system called socialist collapsed quicker than anybody could expect it in the recent decades. Also, it is a great surprise that this change opening up a new perspective resulted in several contingent losses as well.

- With the collapse of the communist party, the centralized hierarchy of the state ceased. Thereby the reasonable manageability of the inherited and mostly state-owned economy functioning at an efficiency being even lower than that developed in the capitalist and in particular, developed industrial countries and than that during the 'socialist arrangements' continued to worsen.

- In every country of Central Eastern Europe a deep economic decline developed which was substantially graver than the sizes of cyclic crises. Consequently, the effective demand determining the size of the domestic market in the concerned countries became smaller.

- Upon the effect of the transformation the formerly isolated domestic markets opened to the world market supply to a great extent which further diminished the possibilities of turning the companies functioning in the region, the capital employed in them and the manpower to account.

- In the trade among the former COMECON-countries the regional preferences that had been strongly in force ceased which rather restricts the utilizability of domestic production factors.

- The first conclusion deriving from the foregoing is not only the well-known fact that the national production decreases in all countries concerned and consequently, the unemployment grows but also the fact that the market value of the national property and thus also the value of the property to be privatized became less. Furthermore, it also results from the foregoing that the revenue possibilities of the

budget imposing tax on the profit of the state-owned companies that were mostly state-owned before, thus the balance between the expenditures and revenues of the budget became unbalanced despite the fact that the state curtailed the production supports."

2. Economic reforms in the region

To the UNO-experts, the countries in Central and Eastern Europe have in the recent few years made an extremely great progress on the way to market economy.

It is characteristic of the judgement of this group of countries by the West that they have for two years been using the term "transition economies" instead of "centrally planned economies".

The major objectives of the transformation are as follows:

- basic transformation of ownership, change in mentality in respect of property (clear dominance of private property);
- macro-economic stabilization;
- price liberalization;
- corporate and entrepreneurial reform;
- establish a social protective net and manpower market reform;
- establish a commercial banking system;
- liberalize foreign trade and international finances.

Herebelow I summarize the major changes in economic regulators and reform steps in the countries of the region:

The first steps of the transformation were constituted by the establishment of the legal framework of free economic activity. With the declaration of the legal equality of the social property and private property, the system of economic preferences was transformed in most systems. In every country the bureaucratic restrictions imposed by the state and on the whole the intervention by the state in the economic processes, were substantially mitigated.

Of the steps serving for the purpose of competition the first one was the liberalization of the foreign trade activity, the direct integration of domestic producers in the international markets. The second step in connection with this is the introduction of the anti-monopolistic regulation which

placed new, often privately owned organizations in lieu of the monopolistic organizations of the former planned economy. Subsequently the former inflexible system of the mechanism of importation became looser as well which fostered the supply for the population and the development of competition alike. (In the most recent months, a tendency opposite to this can also be experienced: in order to enforce certain protection measures against the imports to a greater extent, for the sake of protecting the domestic producers.)

Also, the domestic trade organization of the region's country transformed strongly; the trade organization was the criterion of privatization and, at this point, several private companies joined, as well, first of all the retail trade but also the wholesale trade.

Other building stones of the market organization appeared too: Produce and Stock Exchanges, wholesale markets etc. All these altogether resulted in the change in the former monopolistic and state-controlled distribution system.

The greatest transformation took place in the market of material properties.

Though, the unemployment appeared in the manpower market, this, however, did not lead to the strengthening of the competition with regard to the fact that it remained mainly of regional and structural character. The capital market as a whole is underdeveloped, the nature of which in respect of both shortage of capital and weakness of the institutional scheme can well be seen.

The foreign exchange policy can be considered as a relatively successful field where - with the lifting of bureaucratic restrictions - the internal convertibility was implemented completely in several countries of the region and, at least in part, in other countries and significant steps were also taken toward establishing the external convertibility.

In establishing the commercial banking system every country took significant steps, still Hungary and Poland lead in respect of terminating the banking monopolies where the

two-stage banking system was established as early as in 1987 and in 1988, respectively. In most Eastern European countries foreign banks are operating as well and the number of commercial banks is growing at a rapid rate.

It is also characteristic of the reform of the banking system that in certain places the private banks appeared as well, though their dependence on the central bank exists, to different extent.

The majority of the countries switched over to the modernly interpreted general sales tax (VAT = value added tax) system, first in Hungary in the region (in 1988). In the countries of the region the payment of the personal income tax and that of the social insurance rate can be regarded as an usual trait. Local taxes are imposed only in a part of the countries.

All countries established the organizational framework which carries out the privatization as a state authority and as an agency implementing it in practice. Also the legal code scheme constituting the background of it was elaborated and with the use of various methods, the privatization of state property was launched. At the same time, parallel to this, acts were passed in respect of indemnification, too, which are in general of partial nature. The privatization of agricultural lands is different from the general form of privatization with regard to agricultural peculiarities.

The privatization was carried out in the Eastern European countries by using different methods; nevertheless the method was identical in so far as they used the tool of the so-called "small privatization" as an initial step.

The Czechoslovakian model was the so-called coupon-type privatization; substantially this was followed in Russia, as well.

The Ukraine also chose the coupon-scheme but the process was much slower than in Russia (it hardly started in the summer of 1993).

In Estonia, the privatization is based mainly on the principle of reprivatization and indemnification.

In Latvia, the legal regulation has not been completed yet, thus the share of privatized companies is still small.

In Lithuania the major part of the small enterprises has already been privatized but the privatization of large companies is still to be done.

In the former Soviet Republics situated beyond the Caucasus, the privatization has hardly be launched.

In Slovenia the privatization is the combination of direct selling and of the coupon-scheme.

In Croatia the privatization of companies is taking place in two stages; the first one is taking place as a matter of fact, by allotting corporate property to the companies' managers and employees, whereas in the second stage they reckon with a more intensive involvement of the foreign capital.

In the other member-republics of the former Yugoslavia we cannot speak about any privatization.

A basic deviation in the reforms is constituted by the fact in which countries they tried to apply shock therapy and where they tried to avoid that. To western observers, Poland Yugoslavia and Russia (and a part of the former Soviet Republics, respectively) which tried to apply shock therapy were less successful than Czechoslovakia (within this in particular Bohemia) and Hungary which launched the reforms earlier and which have been taking more consolidated steps. Bulgaria, Rumania and Albania which started the reforms later are also regarded as less successful ones. It is a phenomenon deserving attention that, in lieu of the disintegrated countries several small countries come into existence which, also as small markets of specific behaviour, deserve attention.

The major elements of the shock therapy were as follows: in order to establish the balance between demand and supply, a significant part of the prices was liberalized and the interest rates to be paid on the credits were raised intensively several times. Also it is a general phenomena to curtail the formerly widely applied various supports (consumer's and producer's price subsidies etc.) to a great extent or to cut them off completely. Also the introduction of new and many

times high rate taxes was meant to deliberately devalue the money amounts accumulated with the consumers and with the companies. All these, along with an intensive inflation, unemployment resulted, subsequent to a decreasing demand, in a decreasing supply. The existing difficulties in the economy - external and internal indebtedness, monopolistic situation (this is not everywhere typical but mainly in Russia), unfavourable production mix, lack of convertibility, growing demand for import in a volume corresponding to an export of same volume corresponding to an export of same volume and its worsening efficiency - did not assist the economy in getting its feet back on the ground but rather resulted in the strengthening of the crisis. Of course, there have been and are differences between both the extents and the internal proportions and forms of appearance of the phenomena in respect of the countries applying shock therapy: e.g. the member-countries of the C.I.S. did not automatically remodelled the Russian model either though the inclination to imitating could have well developed over 70 years but exactly the same situation has not developed either in respect of the extent of the shock therapy or with regard to the whole of the applied means as in Russia. (Usually the step for transforming the economy are less drastical.)

3. The Visegrád Group

The foreign trade ministers of Czechoslovakia, Poland and Hungary signed on 21 December 1992 in Cracow the free trade agreement among the countries participating in the Visegrád cooperation. Though, this agreement covers a substantially narrower field than the erstwhile main contract of the COMECON but it lays the cooperation on real fundamentals. The contract on the free trade of industrial and agricultural products came into force in March 1993 and it targeted to establish an entirely free trade by 2001. According to the contract the customs duties, taxes and quotas imposed on raw materials ceased to apply since March 1993 and in the coming 5 years all restrictions affecting the trade of most industrial and agricultural commodities will gradually be ceased.

The trade turnover of the integration partners who became in the meantime the Visegrád Four from the Visegrád Three did not increase as it was expected: in respect with Bohemia and Slovakia the turnover in the first half of 1993 corresponds to that of the first half of 1992 whereas in respect to Poland it decreased by 10 per cent. In this, apart from the general recession, the worsening economic position, the unfavourable trend of their solvency and commodity stock of these countries and the competition generated by the western countries in these markets, furthermore the fact that this free trade agreement grants less preferences than the erstwhile COMECON play a role as well. Also the turnover among the countries is reduced by the fact that Poland subsequent to commence the negotiations but still prior to signing the contract, introduced strong protective customs duties and that the political and economic motivations are stronger, in all four countries toward Western Europe (in particular toward the EEC than toward each other.

Arguments speaking for a closer regional cooperation are the geographical neighbourship, the joint cultural heritage and the traditional economic ties. Also the mutual exchange

of goods which has decreased over the past few years, justifies the need of making the cooperation closer. Substantial foreign trade arguments also speak for the necessity of making the integration closer.

The association contract concluded with the EC also played a role in signing the regional free trade pact. At the same time the pact induces further hopes in the participants in respect of the main subject of this very study: the reguinding of that part of the trade to the region which the member-states have carried out with each other through western mediators over the past years. In addition to this, the bargaining strength of the integration's countries may be increased by the joint appearance (this can be a point in particular for the trade to be performed with the ex-Soviet member-states and with the EC).

There are, of course counter-arguments as well. Since these countries also compete with one another for these markets and they also compete for the more favourable conditions of entering the markets and for the foreign capital.

The Visegrád Four are granted, to a growing extent, opportunities for preferential exports to the EC's member-countries, for several kinds of agricultural produce. The trade liberalization that began in March 1992 provided only an opportunity but not a compulsory take-over contingent. Hungary, of the three contracting countries, enjoys the most favourable position in respect of meat and poultry products as she may supply the largest volumes of these products to the EC.

The experts of the EC and of the USA took notice of the coming into existence of the free trade pact agreeingly but several experts of the EC are far from looking favourably on the admission of this group of countries to the EC.

The Headquarters of European Political Studies state: "As for the budget of the Common Market the admission of the Eastern European countries to the EC would constitute a catastrophe." Three versions were calculated as to by what amount the burden on the EC's Orientation and Guarantee Fund

would grow in the case of the admission of these countries and this calculation resulted in an annual amount ranging from 4 to 31 billion ECU in respect of the Visegrád member-states only. (The substantial difference derives from the fact that the first estimate takes the production level of the year 1992 as a basis whereas the maximum figure assumes that the productivity of the Eastern European countries would reach the present EC average.) This threatening calculations cannot be disregarded in respect of the judgement of our admission to the EC and in the preparation for that either.

The EC's ministers of agriculture expressed their concern at their conference held in the summer of 1993 whereas the Eastern European agricultural produce's exports to the Common Market would make their existing problems more difficult mainly in the branches struggling with overproduction anyway. In order to avoid the intensification of problems the committee is preparing a study on how to open a new market for the agricultural produce of the Eastern European countries being under transformation and, on the other hand, to save the EC's agriculture from the growing losses. An important objective of the study is to examine how to boost the agricultural trade among the countries of the region.

One of the major issues of this study i.e. the leaving out of the mediation trade would be a most suitable solution to this, to which the EC could contribute by granting the state's payment guarantees, the credits and supports promoting the direct turnover not to its own traders but to the Eastern European agricultural exporters. In order to achieve this objective both the Hungarian agricultural diplomacy and the foreign trade diplomacy should take steps.

Also a task of the agricultural diplomacy would be constituted by urging that we could be able to engage in the western aid programmes at least to an extent so that we can approach the volume of our former Eastern exports. Of course, this is only in part a diplomatical issue; basically it is a market and financing problem.

The financing of the agricultural exports would theoretically and basically be the task of commercial banks but due to the inflation and other effects is becoming more and more expensive. At the same time, on judging the application for export credits, the main point is the financial position, solvency of the respective company, production unit and not the competitiveness of the product it produces; i.e. not the transactions but the producers are financed by the banks. A more efficient financing of the exports could only be achieved if the transactions would be financed.

The narrow financing possibilities would be expanded by the loan on collateral security based upon warehousing during which the credit could as well be received even from foreign banks, perhaps under more favourable conditions than the domestic ones.

All these altogether could contribute to the leaving out or reduce the mediation trade.

The steps (or a major part of them) enumerated hereabove could be coordinated among the Visegrád Four and the joint appearance would partly represent a greater bargaining strength and it would partly symbolize the consent of the region's countries on at least certain issues which could as well improve our worsened consideration by the West in respect of our mentality.

4. The situation and transformation of agriculture

The role of agriculture played in the national economies of the countries of Eastern Europe is strongly different. In Slovenia that can be regarded as developed even to western standard, the share of the agriculture represented 5.5 per cent in the GDP in 1991, whereas in Albania this index approached 40 per cent. In the recent years the index of share has in general decreased (except Albania and Rumania) but this decrease can be considered only partly as a part of an industrialization process; it is all the more caused by the fact that in every Eastern European country the gap between prices of agricultural and industrial products is becoming larger and larger, the competitiveness of agricultural products in the foreign markets is worsening and the outlet for food products is diminishing in those countries.

In each of the past three years the agricultural input price has grown quicker than the sales price of agricultural products. In this, apart from the general decline the privatization in the region has played a role which involved in many fields, the disintegration of farmer's cooperatives, the disputes over the ownership of land and at some locations (e.g. in Albania) the spontaneous re-allotment of land. The narrowing of the domestic outlet for agricultural products was occasionally exceeded by the decline in the supply of certain products, e.g. due to an extended period of drought, the corn production declined by one-third in Eastern Europe. The significant rise in the agricultural input prices reduced the fertilizer-, plant protective consumption and the share of the use of agricultural machines and the irrigation, respectively. This caused further reduction in the crop. To all this, the disintegration of the former distribution-, sales- and forwarding schemes contributed as well and, in some cases the disintegration of the former state formations made this situation even more difficult. Owing to the arising shortages in 1992 most Eastern European countries increased their agricultural and food imports.

The growing gap between prices of agricultural and industrial products, the narrowing agricultural markets, the poor crop, in general, reduced the income of those working in the agriculture and continued to worsen their financial positions. This exerted a great pressure on the agricultural ministries of the countries and forced out in some countries the granting of preferential agricultural credits and in certain cases it led to the raise of agricultural subsidy. All these altogether apart from the growth of the volume of imports made the agricultural producers oppose the imports and at several locations the idea of strengthening the protection against agricultural imports has arisen as well.

The gross production value of the agriculture has decreased in the countries of Eastern Europe to rather different extents over the past years but the fact of decrease occurred almost everywhere. It is also general that the extent of decline was the greatest in 1992, in respect of the last 3 to 4 years.

The most critical produce range of agriculture is, in the whole region the corn the production figures of which are in accordance with the general recession. In Albania, in 1993 half as much corn is expected to be produced than in 1990. In Bulgaria the crop expected in this year is only two-third of that of the year 1990. In Bohemia and in Slovakia altogether the corn crop reaches only 70 per cent of the crop level of 1990 of the former Czechoslovakia. In the Yugoslavian successor-states this year the corn crop is expected to be by about 20 per cent less than in 1990 in the erstwhile Yugoslavia. In Poland, a decline of about 17 per cent, in Hungary a decline of 12 per cent is expected in respect of the same years and in Rumania this decline is expected to be about 7 per cent. For the member-states of the C.I.S. we have no projection for this year, therefore we compare the factual data of 1992 to the data of 1990: in Russia the decline in corn crop was 8.5 per cent, whereas in the Ukraine it was of 25 per cent (though the verbal projections from this country forecast a good corn crop.

In Albania the great part of the farmer's cooperatives disintegrated spontaneously and the members took the lands in hand.

In Bulgaria formerly 95 per cent of the arable land was in cooperative and state ownership, respectively. At the end of the year 1992, 10 per cent of the cultivated lands was returned to their owners. To the plans, the settlement of the ownership of land will be accomplished in 1994.

In Bohemia the privatization of land has been launched and it affects over 90 per cent of the lands. The situation is similar in Slovakia but with some lag. The privatization of state farms began in both countries in 1993.

In Poland the share of the farmer's cooperatives was small and, thus, the privatization of land is limited to 1500 state farms. In 1992 about half of the area of state farms was privatized and this work continued in 1993.

In Rumania the privatization has affected 7.9 million hectares and 5 million inhabitants so far.

In Slovenia the implementation of the privatization of land was stopped as in 1992 the Parliament did not pass the ownership act.

In the countries of the former Soviet Union, the ownership of land transformed very strongly. In the member-countries of the C.I.S. over 1 million private farms came into existence by the end of 1992, within this: 500 thousand in Moldavia, 243 thousand in Armenia, 184 thousand in Russia, 100 thousand in Turkmenia, 44 thousand in the Ukraine, 9 thousand in Kazakhstan and also 9 thousand in Kirghizia. The average size of private farms in the states of the C.I.S. is 14 hectares. Thereby, however, only 3 per cent of total agricultural land of the states of the C.I.S. passed into private ownership, nevertheless with very significant differences by republics: in Moldavia this share is 60 per cent, in Russia 4 per cent, in the Ukraine 0.7 per cent. The privatization process goes on but significant differences of opinions and conflicts of interests can be experienced.

Recapitulating the foregoing it can be stated that in the countries of the region the restructuring of the agriculture and the privatization of land can by no means be regarded as a "matched already played" but this process is most likely to be irreversible.

5. Theoretical issues of the mediation trade

The mediation traders are differentiated by the literature as to what the preliminary motivations of their activity are. These can be as follows:

- transactions of distribution nature (making use of the benefits of purchasing in big lots and selling in small lots, in respect of freight, price and other items; this is the mediation trader's role that can be regarded as most traditional; e.g. the erstwhile "colonial goods" mediators who acted at the sea ports),
- financing solutions, credit (apart from the buyer's lack of cash, the inability of the original seller to grant credit),
- avoiding, distributing the risk and achieving risk premium (i.e. achieving a profit exceeding the inputs associated with assuming the risk),
- increasing the profit (this, of course exists as a general target in every case. Here it is about the special solutions where the product sold by way of a mediation transaction is cheaper in a third country than in the mother-country of the firm or with this product some other benefits, preferences, subsidies, aid- and credit constructions are associated. This shows, to certain extent, similar traits as the risk premium, too),
- expanding the goods supply, compiling a complete supply range in a product line,
- covering purchase (e.g. in the case of a tender or of a transaction with a term that cannot otherwise be fulfilled) and ensuring constant presence in the market,
- implementing output or input intentions by way of the mediation,

- ousting the competitors from the market,
- obtaining state's guarantees,
- bypassing export or import restrictions,
- making use of benefits deriving from the differences in customs duties,
- in the case of barter deals, providing the required goods in return,
- combination of the foregoing,
- making use of the market relations being better than those of a direct exporter.

Among the motivations of the western traders, the aforementioned ones can obviously be found in a significant number, still the most significant motive is that the buyer is not capable of paying in cash and the Hunarian party cannot really grant any credit. This, in the end, means a risk or price benefit on the mediator's side which need be compensated so that the share of mediation in the whole trade can be reduced.

An important statement of the western market theories is that a circumspect trader with good market strategy realizes the market faults of his competitors and he remedies the fault by turning it to his own account i.e. he replaces the trader who committed the fault or who failed, as mediator.

The Hungarian foreign trade practice has encountered mediation traders over the past years mainly in the importation: a considerable part of our tropical produce imports i.e. in former terms: of our "colonial produce imports" has been carried out mostly via German (Hansa-town) port traders (distributors). In the Hungarian exports the engagement of mediators occurs rather rarely.

The term "mediation trade" does not perfectly reflect the concept we speak about in the present case, namely that - in between the Hungarian producer (in fact, in some cases, trader) and the Russian or Yugoslavian importer, an Austrian

or German (i.e. third-country) trader gets wedged. To the Hungarian terminology (e.g. Törzsök, Éva: Export efficiency and sales outlets), the "mediation trader" does not necessarily mean a third-country trader but only a trader establishing contact between the producer and the user (this trader is usually considered to be from the same country as the producer). The English term "middleman trade" does not imply either that it is about a third-country trader, mediator; in fact the term "triangular trade" approaches the point mostly.

In practice, at least three participants can be found in the transactions carried out through foreign mediators: the original commodity-owner (seller), the Eastern European buyer and the western mediator getting wedged in between them, therefore the term "triangular trade" is most appropriate in respect of practice, too. (Yet, theoretically, the deal has at least four participants: the fourth one is the erstwhile Hungarian exporter ousted from the transaction.)

It is reasonable to examine this issue in terms of several aspects: from the point of view of all participants' (including the latent fourth participant) motivation. The motivation of the Hungarian seller is clear: he wants to sell his commodity by all means and it is almost indifferent to him whether his commodity is exported by a Hungarian firm or sold by a western middlemen. I detail the motivations of the mediation trader under a separate point. It is worth examining the ousting of the fourth participant.

The considerable ousting of Hungarian exporters from the eastern markets can basically be imputed to macro-economic reasons first of all by the disintegration of the COMECON. At the same time in the other ex-socialist countries the establishing of market economy was launched, though this started by the demounting of the institutional scheme of planned economy. Therefore the traditional large-size foreign trade companies ceased to function, disintegrated, transformed which led to the termination or at least to the loosening of ties.

The establishing of the new corporate system was not without any problem and the western traders took the lead of the Hungarians in establishing the new-type relations. Of course, several points can be said for the Hungarian traders as the establishment of the new system is expensive (reconstruction of the information network, setting up regional offices, reorganization of the foreign trade and of the agricultural diplomacy etc.), needing a great deal of money. It is clear that the western countries are in a more advantageous position than us, however their competition benefit is even greater than that in respect of granting credits, subsidies, state guarantees, i.e. they are in a much more favourable financial-financing position.

Some years ago, we still wanted to build a bridge between the West and the East, with the obvious intention to collect the "bridge-toll". We, however, have not prepared the design drawings of the bridge either, while the West has built that bridge over us.

To Kirzner, the entrepreneurs realize the opportunities that have not been discovered yet by others, they make use of them and restore the upsetting balance of the market this way. This happened upon the suction effect of the vacuum brought about by the collapse of the COMECON and of the system based upon the principles thereof and to which the western traders were extremely quick to respond. (The hazard of this is not realized by those saying that thereby "we suffered only income insults", since the mediator means an uncertain market, he is motivated by specific interests. This can be complemented by the thought of Drucker whereas the entrepreneur finds the changes and make use of them as business opportunities; a typical example of this is the unexpected integration of western mediators.

Sipos, Zoltán when analysing the foreign trade activity mainly deals with the issue of assuming risk and also this approach is in accordance with what happened:

"The resistance, the limiting effect and the continuous changes of the markets and the institutional environment constitute an uncertainty for the foreign trade business, being the basis of assuming the risk." In the former COMECON-markets, the market uncertainties requiring an increased assumption of risk, for which the Hungarian entrepreneurs were not (are not till the very date) prepared, occurred due to collapse of partly the integration and partly the institutional, regulatory and foreign trade organization systems. To this the economic collapse of the region's countries and the intensification of insolvency, the lack of convertible funds, the indebtedness which manifested themselves in granting credits for the transactions and in the transaction counter-value payment's becoming uncertain.

Also, in respect of the market information, the western mediators and the marketing-, informational, statistical organizations behind them had an advantage over us. The statistical system based on the traditional planned economy fundamentals which rather veiled the substantial elements of the economic processes than giving information on them; it brought the countries of Eastern Europe into a position of uninformedness or semi-informedness on each other's markets and economies. The traders from the developed countries who had their doubts about the trueness and utilizability of the figures and who - to their possibilities - established an own information base made use of these benefits of theirs (in some western sources, now double database is provided on the recent period); they did not sell their own information to the East but they used it in establishing business "bridge abutments".

The uncertainties of the market increase the information costs. The market models that do not allow for the expenses of the mediation traders are not efficient. Substantially, the COMECON-trade functioned this way, where the foreign trade expenses were constituted only by the expenses of circulation

but there was no need of market research since the transactions were made on the basis of decisions made at inter-state level. In the end, the monopolistic foreign trade companies were rather the implementors of state decisions. They had the possibility and right to manoeuvre by way of slight modifications of their internal structure in the course of realizing the transactions. The information costs were assumed by the government in form of central planning. As also indicated by Toumanoff, the amount and composition of mediation expenses are influenced by the institutional scheme as well. The institutional scheme itself, however, was not effective in the COMECON-countries; to be more precise: the issue of efficiency arose merely theoretically since the decisions in this region were not made at company level. All these conditions ceased at a time, with the disintegration of the COMECON and the western mediators made use of the change in the market position, the former market information's nature of lost point and the disintegration of the institutional scheme.

As for the international judgement of the mediation trade we may say that it is "indifferent" since it is treated as a part of normal business operation (e.g. against the negative judgement of barter deals that are considered by the international literature as necessary evil.

In Hungarian professional circles, there are different opinions in respect of the usefulness or deleteriousness of the mediation trade. To certain professional opinions, it is not a deleterious phenomenon at all that Hungarian agricultural and food articles are exported to the Eastern markets by western middlemen. Those being of this opinion consider that this is, too, a potential sales outlet and the respective price level is not lower than that of the exports to Western countries either. Yet, to my view the engagement of mediation traders can be regarded as a negative phenomenon. Namely a mediation trader adheres to his customer only but he does not necessarily procure the commodity to be sold from the same seller but where it is the most favourable to

him. Also the adherence of foreign mediators only to their customers is also indicated by the fact that even if they established joint partnerships in Hungary, it was not frequent either that they invested capital in the production of raw material; also rarely in the processing industry. The mediation trader as a main "outlet" for the Hungarian goods may not be regarded as stable and the continuation of this phenomenon are justified by transitory factors, even in terms of economics. And the Hungarian agricultural economy has to be based on long-term, stable, reliable markets, consequently it is reasonable to urge to press back the mediation trade as soon and as much as possible, by applying methods I outlined in connection with the mediation activity.

In the trade among the former COMECON-countries in particular in the trade of food economy, the following facts caused, first of all, the wide-range spreading of the mediation trade:

- The disintegration of the COMECON as an integration, terminated the traditional inter-state commercial ties, the compulsory export- and import contingent scheme. Also the scheme of separate, constructions of convertible currency accounting which was different from the former theoretical system of the COMECON but which was still permanently existing in practice such as the meat-, corn-, petroleum agreements that existed in the Hungaro-Soviet trade.

Similarly the exports based upon the specialization pact such as the pacts on vegetables-fruit and wine, respectively, were terminated as well.

Also it is the result of the disintegration of the COMECON that the Bucharest price principle ceased to exist which led also in these markets to the development of market conditions and competitive prices.

- The countries of the Central and Eastern European region have got without exception into the position of economic crisis during the recent years. Their external indebtedness and solvency worsened to a great extent and the unclosedness of the former financial ties has continued to make the countries needing food imports more difficult. As an effect of this the food exporters (like Hungary) realized the closure of the outlet even if otherwise there were well-known shortages in the given markets.

- The decline in production alone has exerted opposite effects on the agricultural foreign trade: if the production of the agricultural produce declined it induced demands and if the production of other products declined, then - in many cases - the export commodity stock serving as set-off for the imports of agricultural produce decreased (e.g. Russian oil, raw material, timber).

In all countries of the region the process of privatization was launched which also involved opposite effects.

Strongly marked changes took place in the regulatory system of the economy of which I deal first of all with the regulation of foreign trade. The former centrally planned scheme was terminated in all countries of the region. Also the corporate monopoly of foreign trade was terminated and a great number of new foreign trade organizations appeared in the market. However, the guiding of these operations in a reasonable channel was missing in many cases or they tried to correct such shortage by way of subsequent regulations. This phenomenon, too, contributed to the spreading of mediation trade as the loosening of traditional ties opened up a space for that. This process was strengthened also by the fact that there is hardly any coordination among the decentralized companies but they struggle against one another for acquiring exportable commodity stocks and for establishing market positions alike. Our former advantage composed by the

knowledge of the local conditions and partners diminished strongly in these markets. In the region mainly the barter trade developed in consequence of the lack of money was intended to be restricted by certain governments since the still rather strict foreign trade regulations could be bypassed by the barter trade. Thus, the "hard" goods were removed from the barter circle and thereby the significance of this commercial form strongly decreased. In the region the frequent, incalculable and subsequent regulation of the foreign trade can as well be experienced which also indicates the problems of operation and causes further operational troubles. (An example for that is the withdrawal of one of the liberalization steps of the Russian foreign trade: the partial restoration of the foreign trade monopoly.)

The financial problems of the region's countries appear at least to an extent in the field of their international relations as in the domestic circulation of money. Though the extents of indebtedness are different, due to the indebtedness alone, all countries of the region are making efforts to solve their food imports in the framework of credit to the maximum extent. The governments have only seldom funds for purchasing food (unlike the former situation when the big-volume food purchases were done mainly at governmental level). The importer companies also prefer buying on credit partly due to lack of (mainly convertible) money and partly to its profit-increasing effect. This fact brought the region's countries into a position being more unfavourable in respect of the trade among each other than the western partners as, in lack of money the Central and Eastern European countries fall into the background in the competition for credit. Not only the funds are narrow but also the financial institutional scheme is missing for establishing the credit system. The governments are also struggling with the shortage of money, therefore the state guarantees for the exports, which are applied in the western countries, occur only occasionally (e.g. with our corn exports in 1991 to

Russia). This is one of the most important factors in the development of the mediation trade which can only be filtered out by way of transforming the subsidizing, general financial, financing and crediting scheme of conditions of the agricultural exports to this region. Here, it need be remarked that the Western European food exporters, in particular those of the EC's member-states have a considerable advantage in the Central and Eastern European markets over Hungary for all that alone that, due to the high subsidies there, to the foreign trade experience gained in this regard, we have a lag also in the price competition. And it is the vital interest of the importers to achieve a low price.

- The liberalization of the foreign trade that can be experienced in the countries of the region significantly increased the number of the importer firms and considerably changed the product mix of the imports, within this that of the food imports. Namely, while the polarization of consumers in these countries could also be seen, a rich stratum of consumers demanding high-quality products has developed as well (despite the general impoverishment) which stratum of consumers requires luxury food articles, consequently, a part of narrow convertible funds that could be spent for imports was spent in meeting the requirement laid by this prestige consumption and still less fund remained for the importation of the traditional (incl. Hungarian) food articles.
- In Central and Eastern Europe, the transformation of the domestic sales organization began as well, mainly in form of the privatization which also played a role both in the change in mediation traders and in the product mix.

With the disintegration of the COMECON and with the collapse and insolvency of the economies of its former member-countries, not only the risk increased for the foreign trade entrepreneurs which is due to the change in the economic position. In the post-socialist region, an additional specific

risk component appeared: the state guarantee behind the former state-owned gigantic enterprises are no more granted to the foreign trade enterprises being newly established; in all countries of the region, new regulation was introduced in respect of granting licences for the foreign trade activity. This, apart from some exceptions, substantially meant the liberalization of this activity to a decisive extent. Consequently in these countries the number of foreign trading companies abruptly grew. In Hungary, e.g. from the several hundreds of companies at the end of the 1980s the number of foreign trade enterprises increased to about 50 thousand by 1993. This also meant a certain dilution of the entrepreneurs engaged in foreign trade activity and also the gamblers and deceivers joined this activity but there were many laymen who began to conduct foreign trade activity though with good intention but for this reason many of them became bankrupt or they conducted their foreign trade activity only once. Due to all these the principle "pacta sunt servanda" (pacts are to be observed) known from the Roman right, suffered insults frequently, i.e. intentional or unintentional breach of contract occurred day by day. This terminated not only the advantages deriving from the entrepreneurs' former monopolistic position in the region but it implied a risk beyond the extent of "normal" risk. This could be assumed by companies well-provided with capital, with state guarantees supporting them.

6. The barter trade

With regard to the fact that in the agricultural trade of Central and Eastern Europe also the barter deals represent a considerable share, it is worth discussing in details. To professional estimates, in the Hungarian agricultural trade with the member-states of the C.I.S. a share of about 20 to 30 per cent is presumed in respect of set-off deals. This share is decreasing as the Russian government withdrew several essential products from the circle of goods that can be involved in the barter trade (energy carriers, raw materials) since the state control of articles sold in barter and also the stricter regulation of a trade of this kind can be performed with difficulties. On the other hand, the product in return for which other product is supplied in identical value does not serve for improving the international financial position of the exporter state, it does not put any fund at its free disposal but only a commodity stock of identical value and of different composition. For this very reason the international judgement of barter transactions is negative and e.g. also the GATT treats the barter as an activity hindering (or at least not improving) the development of international trade to a certain extent. The sign of aversion to barter deals is that in 1992, in Russia the export tax imposed on the articles circulated in the framework of barter deals was raised by 30 per cent. Moreover, the exports of most essential raw materials and strategic articles were re-monopolized and their either direct or indirect exports were subjected to licensing.

The barter trade even despite its negative judgement like this cannot be eliminated in the trade among the ex-socialist countries since due to the general shortage of foreign exchange they are compelled to use this commercial solution. However, at the same time the state prescriptions result mainly in the narrowing of this construction. The efforts made by the governments to try to eliminate the barter deals further intensify-

ing the lack of foreign exchange, to avoid the forced price ratios worsening the goods exchange ratio sometimes included in the barter deals and to issue decrees to prevent the exchange of goods having very different "hardness". Examining the issue in the long run it cannot be in the interest of Hungary either to sell products in barter trade in a larger volume than at present but in the case of a possibility of choosing a possibly optimum import set-off item, the barter is not a negative phenomenon. It would not be reasonable to intervene by state means in it as this would only lead to further difficulties in the sales.

The overwhelming majority of practical foreign traders deems that the barter trade, as solution, is approaching to its end due to the more and more intensive appearance of state restrictions and to the shortage in commodity stock. At the same time, the experts interconnected the barter also with the mediation trade since they in practice go together in many cases and they suggested that it would be reasonable to establish professional coordination centres in the region which would coordinate the barter deals in the region and thereby they would also guide the presently unregulated activity of mediation traders in an adequate channel. It is necessary to add that this conceived coordinating activity would in all probability useful in respect of balancing the region's product surpluses and shortages but this would by no means solve the problem which is constituted to us by the engagement of mediation traders.

7. Mediation trade in the Hungarian agricultural exports

The specific risk of the trade of agricultural produce owing to the nature of the product was significantly diminished by the COMECON agreements, even more than the average commercial reduction of risk. This was served by the special arrangements that guaranteed the taking over of certain agricultural and food industrial products in a growing volume (e.g. the erstwhile existing COMECON vegetables, fruit, wine specialization pact). After the disintegration of the COMECON, this risk-reducing method was no more available and therefore the producers - making efforts for more security in sales - followed the way of western mediation that seemed more secure even if the Eastern European outlet for this product could have been found directly. This latter factor resulted in that the volume of the mediation trade exceeds in the agrarian sphere even the average. (This is illustrated by the following table.)

Share of mediation trade in the
total Hungarian exports and in the agricultural exports,
respectively

(Based upon the data of the year 1992, in per cent)

Country	Total exports	Agricultural and food exports
ex-Yugoslavia	58.7	61.0
ex-Soviet Union	34.8	54.0
Czechoslovakia	26.2	25.2
Poland	19.6	38.0
Bulgaria	..	33.0
Rumania	21.2	19.8

Source: own calculation on the basis of Institute-data.

This table, too, verifies that the share of mediation trade is the greatest where the risk of trading is the highest, namely in that Southern-Slav region where there is a war going on. The second highest risk can be attached to the region of the ex-Soviet Union where nevertheless the nature of risk is basically different: mainly the risk factor deriving from the uncertainties of economic regulation and control is decisive.

In our foreign trade with the member-state of the Soviet Union in 1991 the share of mediation trade in the imports was substantially greater than in the exports. The explanation for this was summarized by our respective foreign trade representation as follows: "The value of our exports carried out via firms of third countries amount to about 275 million USD and our imports total to approximately 420 million USD. In the mediation trade, in the imports 29 countries, whereas in the exports 20 countries are involved. The countries representing the greatest share are Austria, Germany, France, Great-Britain and Switzerland. The reason for the high share of mediation trade is to be found mainly in the internal regulation in the Soviet Union. In our imports the growth of mediation trade was mainly in connection with the fact that the Soviet companies exploiting energy carriers and raw materials, in order to obtain foreign exchange of free disposal and so that those carrying out the transactions have higher commission, guided a part of their commodity stocks toward joint partnerships operating in western countries. Also the fact that the Soviet companies paid - due to the narrow foreign exchange funds - for the advanced western technique, and consumer's articles by way of supplying energy carriers and/or raw materials contributed to the growth of mediation trade. We could buy the products sold this way at relatively favourable prices from the western firms. As for the Hungarian exports, this kind of commercial form can be regarded as a mitigating means to solve internal financing problems."

The mediation trade appeared intensively in our agricultural foreign trade at the turn of the 1990s. In a former AKI (Research Institute for Agricultural Economics) - study (Kartali, János - Mrs. Orbán Nagy, Mária: The outsets of the change of markets in the Hungarian agricultural and food industrial exports) we draw the attention as early as in 1991 to this phenomenon. This is verified by the following table showing the share of our greatest outlets in the Hungarian agricultural exports in 1990 broken down to destination countries and contracting countries.

Market share in the
Hungarian agricultural exports in 1990

Country	As per		Share of mediated turnover (%)
	Destination countries	Contracting countries	
Soviet Union	21.6	17.4	24.1
GFR	14.5	18.3	-20.8
Italy	10.1	11.4	-11.4
Yugoslavia	9.3	4.1	126.8
Austria	5.3	9.2	-42.4
Czechoslovakia	2.6	2.0	30.0
Switzerland	2.3	5.7	-59.6

Source: the study quoted hereabove. (27.)

To the change in the composition of the Hungarian agricultural exports the cease of the inter-state nature of the trade with the former COMECON-countries alone also contributed to a very great extent since the exports of high volume products used to be exported to this region such as an amount of annually 300 thousand tons of apple, nearly 2 million hectolitres of wine, about 100 thousand tons of meat, around 400 thousand tons of preserved food or about 1 to 1.5 million tons of corn nearly completely ceased. These high

volume products so-to-say fall out of the circle of exported goods as the new small organizations established in the foreign trade would not be suitable for receiving and trading with such lots anyway. In the termination of the high volume supplies the fact also plays a role whereas in the countries of the region the former distribution schemes have disintegrated or are under disintegration through the economic restructuring and privatization (it is especially typical of the countries of the former Soviet Union). The remaining parts of the state organizations being suitable for receiving high volume exports are in fact engaged in receiving and distributing the corn or similar produce supplied from the western countries as aid or on credit. Also the change in the product mix plays a role in the intensification of the mediation trade; the high volume (e.g. corn) supplies passed over, to a more considerable extent, into the hands of mediators because these transactions need considerable credits.

The changed character of the foreign trade relations in the Eastern European region contributed to the high-rate engagement of western mediators also in respect of the fact that the eastern companies' adaptability is not adequate and their response is slow. On the other hand the corruption appears as well, as a motivation factor in certain cases, though we have of course no data. Finally it also deserves mentioning that our partners from the Eastern European countries who were not allowed to go West are more willing to travel to the West to conclude contracts than to Budapest.

The western economic literature has also paid attention to the turnover carried out by the mediation trade of growing share in the trade among the former socialist countries. The western terminology features this type of mediation trade by a term being different from that applied in the foreign trade usage: the denomination of the "normal" mediation trader is "transiteur" or "distributor", whereas this type of mediation trade is called "middleman trade". For describing this phenomenon just the Hungarian model is mentioned

where it is demonstrated Hungary's share of exports and imports in her trade with the region, via mediators. This is illustrated by the following figures:

Share of mediation traders in the
exports and imports of Hungary

Country	Export		Import	
	1991	1992	1991	1992
Czechoslovakia	19.0	26.2	33.8	24.8
Poland	30.5	19.6	55.0	38.2
Rumania	31.4	21.2	30.8	19.1
ex-Yugoslavia	49.2	58.2	10.0	13.6
ex-Soviet Union	22.2	34.8	26.2	35.1

Source: 15., 16.

The study explains the spreading of mediation trade in such a high rate for two partner-countries: in the case of Yugoslavia the study underlined the increase of the risk factor caused by the war, whereas in the case of the ex-Soviet Union, it mentions the economic chaos prevailing in the region as primary reason. The phenomenon deserves attention all the more as the Eastern and Central European countries' loss of role of a potential bridge does not decrease the safety degree of market sales opportunities only but it also implies potentially the decrease in western investments and the decrease in taking the region into consideration in this regard too.

In the mediation trade the successor-states of Yugoslavia and the Soviet Union have the greatest share. In 1992, more than half of our agricultural and food industrial exports to these two groups of countries were carried out via mediation traders. Also these countries take the lead in respect of the triangular transitions' share in the total foreign trade turnover. Within the total foreign trade turnover

the share of mediation trade in the imports is considerable too. E.g. we carried out more than 38 per cent of our import trade with Poland in 1992 through western middlemen, whereas this share was 35 per cent in respect of the Soviet Union. Hereinafter we analyse the composition of the export turnover only and within this the issues of agricultural and food industrial exports. In the mediation trade, considerable difference appears in terms of product trait, too.

The greatest share is represented by the crop cultivation system (within this, mainly be the cereals) (see Appendix 1). The plant produce exported to the former COMECON-countries represented over 70 per cent in the turnover of the mediation trade, whereas the share of this produce group exceeded 60 per cent in the trade mediated by the EC member-countries. Conducting an examination by countries and within this by product ranges, it can be stated that this product group has a high share even within the share of the average 53 per cent of the mediation trade with the member-states of the C.I.S. (72 per cent of the exports of plant produce was mediated) but the mediation turnover of poultry and sugar industrial products represented a share of 2/3rd. In the total turnover the mediation trade represented 56 per cent in respect of meat industrial products and 52 per cent in respect of dairy products. Deviation can be seen in the share of mediation trade in the various republics of the former Soviet Union: we conducted with the Ukraine a mediation turnover being well over the average though the figures are partial only as the statistics of 1992 separates the figures of Russia and the Ukraine since April. (The details of our agricultural foreign trade carried out through mediators are contained by the Appendices 2/1 - 2/6 by groups of countries, by countries and within this by product groups.) Also for the whole of the former COMECON-region similar shares apply the share of the mediation trade via western mediators in the agricultural produce was a total of 45 per cent, within this 87 per cent in the tobacco-industry, 65 per cent in the plant produce, 52 per cent in the meat industrial products.

In the case of some countries and some product groups high shares can be seen too. E.g. 96 per cent of the tobacco products was supplied via mediators to Czechoslovakia. As for the Czech and Slovakian Republic, this share is only 25 per cent in respect of the whole branch. As to Rumania it is hardly 20 per cent (but within this, e.g. with the vegetable oil products it is 95 per cent).

As regards Yugoslavia, there is hardly any product group where the mediation is not very considerable and within the average share of 61 per cent the mediation trade represents 89 per cent in respect of vegetable oil industrial products, 81 per cent in meat industrial products, 76 per cent in poultry products.

It is also worth examining which countries were the mediators. Within this the EFTA-countries represented a very high share: the final destination of 87 per cent of the total agricultural and food industrial product export was no EFTA-member-state but mainly a former COMECON-country. By virtue of the difference between things, there were of course also shares whereas e.g. in respect of milling industrial products the exports to third countries amounted nearly 7-times as much as the exports of actual EFTA destination. Also the share of triangular deals carried out by the EFTA-countries in terms of plant produce, the mediation trade was 4.5-times as high in volume as the exports supplied actually to this region.

Also the EC countries bought Hungarian agricultural products not for their own purposes but for the purpose of Eastern European mediation. E.g. in respect of sugar industrial product, nearly 2.5-times as much as for their own purposes.

Among the mediators, Switzerland bought 2.4-times as much for mediation purpose as for own purpose. In the case of the Netherlands this proportion is 1.3-times, as for Austria it is nearly 60 per cent, as to France it reaches 22 per cent, Germany reaches 10 per cent whereas the EC mem-

ber-state Italy managing a relatively smallest turnover bought even 7 per cent for mediation purposes.

Even the USA firms engaged in the mediation trade intensively and the share of triangular transactions managed by them was nearly 40 per cent.

It is worth examining the mediation trade also from the point of view as to what share was represented by its volume and what products it is composed of. In 1992 the Hungarian agricultural and food industrial exports to the Eastern region exceeded 500 million USD. Of this the COMECON-countries represented 388 million USD whereas the member-republics of the former Yugoslavia represented 118 million USD. The triangular turnover of the mediators was 294 million USD for the EFTA-countries, 228 million USD for the EC member-states, 20 million USD for the USA. In terms of value, the plant produce group represented the highest share, within this the corn was remarkable.

For some products we examined the distribution of the exports to the ex-Soviet Union between the direct turnover and that managed via mediator. The highest share of mediation trade was 91 per cent for wheat, followed in sequence by the following produce (in brackets: the share of the exports managed via mediator); maize (67.0), meat (65.5), sugar (64.1), sunflower seed grits (56.5), wheat flour (13.7). The general tendency was enforced here as well: the highest shares were represented by the EFTA-countries, within this Switzerland and Austria; within the EC-countries: the Netherlands, Germany, Great Britain took the lead and France and Italy represented a much less share.

The mediation trade developed in the region has signs that seem to be extreme such as within the Soviet Union, due to the worsening of Russian and Ukrainian economic relations the Russian oil is delivered to the Ukraine by Switzerland in return for Ukrainian agricultural produce. This business is inasmuch specific as the Swiss mediator is engaged in a barter deal. Otherwise the compensation deals are granted

more and more attention in the western literature. To the literature in Eastern Europe the intensification of a new type of integration phenomenon can be experienced: to reduce the risk by way of compensation deals; this has by now become part of the strategic marketing of the foreign trade companies.

8. Conclusions

At the turn of the 1990s, the share of mediation trade in the Hungarian foreign trade grew considerably. Unlike the mediation trade that has been experienced over the recent years which can be regarded as traditional and which occurred mainly in the Hungarian imports, with the coffee, cocoa beans, citrus goods, it could be experienced as a new phenomenon also in the imports that the mediator traders appeared in respect of almost every product. It is also a new phenomenon in the mediation that its decisive part appeared in our trade with the COMECON-countries and that the mediators were mainly Western European countries (Austria, Switzerland, Italy, the Netherlands, France, Germany). The deals mentioned in the Western European terminology as "middleman trade" represent a very considerable share in the Hungarian agricultural exports to Central and Eastern Europe. As we already pointed out in a former AKI-study (27), this mediation was of considerable share as early as in 1990 in our agricultural exports to the former Yugoslavia, Czechoslovakia and Soviet Union and later to the other ex-COMECON-countries, too. Among the examined reasons, all those appeared which represent the motivation of the mediation traders to the literature. These are first of all: the distribution-type transactions, financing solutions, crediting, avoiding the risk, increasing the profit, utilizing state preferences and guarantees, expanding the goods supply, providing permanent presence in the market, ousting of competitors, providing the set-off required by the buyer.

Among the motivations of the western traders mediating the Hungarian agricultural products the aforesaid can obviously be found in a considerable number, yet the most significant motive is that the buyer is not capable of paying in cash and the Hungarian party cannot really grant credits. This in the end is a risk- or price advantage which need be compensated so that the share of mediation can be reduced.

The ousting of the Hungarian exporters from the eastern markets can be imputed basically to macro-economic reasons and within this first of all to the disintegration of the COMECON. In this, the termination or transformation of the traditional large foreign trade companies the transformation of the institutional regulation scheme, furthermore the growth of risk which can be experienced in this regard play a role. The disintegration of the information system also revealed the problem of our being insufficiently informed on the region. The uncertainties increases the information costs which in the former construction were assumed by the states. In the new situation they had no possibility of doing so.

In the countries of the region, general crisis phenomena can be experienced. The decline in production is a typical feature, the inflation rate and the unemployment grow alike, the fall of the real wage and that of the living standard is characteristic as a whole, though the extent thereof show very significant differences.

The signs of economic crisis include the external and internal indebtedness, the shortage of foreign exchange, the general lack of capital, the impoverishment of the population and the polarization of consumer's strata.

The change of political direction in these countries also involved the change in the economic system which was followed by the reorientation of foreign trade. Along with the transformation of the foreign trade organization the orientation toward countries changed as well: the dominance of the foreign trade relations among the countries of the regions ceased and partly deliberate, partly spontaneous elements strengthened, in every country the orientation toward the developed western market economies. This came, in the relatively developed Central European countries even up to the thought of admission to the Common Market and up to negotiations in this regard, respectively.

All these altogether contributed, to a rather significant extent to the fact that the western mediators being quick to

respond to changes in the market join the trade among Eastern European countries. And with the agricultural products a mediation being of more intensive extent than the average can be experienced because the market risk for these products is higher than the average.

To my view the mediation trade is a negative phenomenon since the mediator constitutes an uncertain market; he procures his commodity where he can do so most favourably and from this point of view he is motivated mostly by the profit (risk premium). (On the other hand, however, it is to be admitted that in the transitory period this otherwise negative phenomenon has a positive feature: without the mediation traders the exports of the branch must have decreased still to a greater extent.) The maintaining of the mediation trade to a certain extent can be imagined as it is not probable that these traders withdraw from this prospering market to them of their own choice. We cannot assume either that we finance this trade entirely, instead of western governments or banks. However, efforts should be made for eliminating this mediation trade as much as possible so that its profit can be skimmed by us and in order that in the Eastern European markets our own traders sell the Hungarian goods, thereby increasing the market stability. (Of course, I do not think of the "return" of the former COMECON export structure of high subsidizing demand but I hold reasonable a much greater turnover in this region than that at present.) In order to leave out or reduce the mediation trade, the corporate organization structure should be improved (e.g. it would be reasonable to again require the exertise for awarding the licence to conduct foreign trade activity). The providedness with information on the region should be improved and the elimination of infrastructural lags is by all means reasonable but these are tasks which are in part capital-intensive and in part they can be completed in an extended period. To the reduction of the mediation trade the EC could contribute in a way that the state would grant the state guarantees not to its own traders but to the Eastern

European agricultural exporters. In order to achieve this target both the Hungarian agricultural diplomacy and the foreign trade diplomacy should take steps.

Also it would be a task of the agricultural diplomacy to urge the possibility of joining the western aid programmes at least to an extent so that we can approach the volume of our former exports to the Eastern European region.¹ This, of course is just in part a diplomatic issue; basically it is a market- and financing problem.

In the long run the development of the Hungarian foreign trade organization and the strengthening of marketing would serve for leaving out the mediators.

Finally I remark in connection with export financing that a more efficient financing of the exports could be implemented by way of judging it based upon the transaction itself (unlike the present practice judging the solvency of the entrepreneur).²

¹To the information received from the Hungarian Ministry of Agriculture during the course of the dispute over this study, Eastern European countries may as well submit their applications from 1 January 1994 onward for obtaining 10 per cent of the EC's aid line of 1.25 billion ECU, as a result of our econo-diplomatic activity.

²Simultaneously with closing this study the Governmental Decree No. 2038/93 IX.29. was issued, aiming at the development of the institutional background of export financing, insurance, assumption of guarantee and the modification of the banks' business policy in this direction.

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APPENDICES

Appendix 1

Distribution of Hungary's agricultural and food industrial exports
in 1992, to contracting- and destination countries in per cent

Product group	Former COMECON ^{1/} countries	EC countries ^{2/}
Meat industry	4.3	17.4
Poultry and egg processing	0.0	2.7
Dairy industry	0.6	0.8
Preserves industry	3.2	1.9
Milling industry and compound feed	1.4	0.5
Sugar industry	4.2	5.0
Vegetable oil industry	6.3	11.0
Baking-, pastry- and sweets industry	0.9	- 4.3
Alcohol-, drink and starch production	1.3	- 0.2
Tobacco and other food articles	4.8	- 1.1
Plant growing	71.7	61.4
Horticulture	0.1	- 1.2
Livestock and animal-derived products	0.3	5.5
Forestry	0.0	0.6
Total	100.0	100.0

1/ Mediated trade.

2/ Mediator's turnover

Source: Own calculation based upon AKII^{*} (Research and Informational Institute for Agricultural Economics) figures.

Distribution of Hungary's agricultural and food industrial exports in 1992
to contracting- and destination countries and the share of mediation trade

Product group	Former COMECON countries				EC-countries				EFTA countries			
	Contract- ing country	Destina- tion country	Difference ¹		Contract- ing country	Destina- tion country	Difference ¹		Contract- ing country	Destina- tion country	Difference ¹	
			value	%			value	%			value	%
Meat industry	15215.5	31978.4	16762.9	52.4	285921.7	246227.0	-39694.7	-16.1	59833.0	38960.0	-20872.8	-53.6
Poultry and egg processing	5833.3	9273.8	3440.5	37.1	232901.3	226794.4	-6106.9	-2.7	63137.4	60171.9	-2965.5	-4.9
Dairy industry	2809.3	5157.9	2348.6	45.5	21669.1	19774.2	-1894.9	-9.6	14281.2	7309.5	-6971.7	-95.4
Preserves industry	57663.9	69945.0	12281.1	17.6	212451.2	208079.2	-4372.0	-2.1	73885.4	62723.4	-11162.0	-18.0
Milling industry and compound feed	42547.1	48143.0	5595.9	11.6	5660.2	4444.0	-1216.2	-27.4	7370.9	934.4	-6436.5	-688.8
Sugar industry	18221.6	34529.6	16308.0	47.0	16241.4	4836.7	-11404.7	-235.8	11939.1	2618.6	-9320.5	-355.9
Vegetable oil industry	31312.3	55936.4	24624.1	44.0	38929.8	13774.7	-25155.1	-182.6	47414.0	16441.0	-30973.0	-188.4
Baking-, pastry and sweets industry	24080.3	27440.0	3359.7	12.2	14745.2	24587.8	9842.6	40.0	22744.1	10662.2	-12081.9	-113.3
Alcohol-, drink and starch production	77667.9	82787.7	5119.8	6.2	43949.5	44338.1	388.6	0.9	21940.6	15340.8	-6599.8	-43.0
Tobacco and other food articles	2856.6	21370.9	18514.3	86.6	16162.5	18635.2	2472.7	13.2	27495.4	10705.3	-16790.1	-156.8
Plant growing	148897.4	427026.1	278128.7	65.1	263943.2	124070.7	-139872.5	-112.7	186737.2	33602.1	-153135.1	-455.7
Horticulture	44849.7	45284.3	434.6	1.0	45149.8	47903.3	2753.5	5.7	39906.4	36526.4	-3380.0	-9.3
Livestock and animal-derived products	8534.7	9881.2	1346.5	13.6	152411.4	139975.9	-12435.5	-8.9	16598.8	6489.4	-10109.4	-155.8
Forestry	244.0	285.7	41.7	14.6	42312.0	41127.5	-1184.5	-2.9	39457.4	35894.9	-3562.5	-9.9
Total	480733,3	869040.0	388306.7	44.7	1392448.1	1164568.7	-227879.4	-19.6	632740.8	338380.2	-294360.6	-87.0

1/ Difference= the difference between the figure as per the destination country (target country) and the figure as per the contracting (paying) country which is of negative sign if the country is mediator and of positive sign (without making the sign) if the country is the "endurer" of the mediation.

Source (here and on all tables of App. 2/1-6): own calculation based upon AKII figures.

Distribution of agricultural and food industrial exports in 1992

to contracting- and destination countries and the share of mediation trade

Product group	C.I.S.				From C.I.S. Russia				From C.I.S. The Ukraine			
	Contract- ing country	Destina- tion	Difference value	%	Contract- ing country	Destina- tion	Difference value	%	Contract- ing country	Destina- tion	Difference value	%
Meat industry	8813.0	20094.3	11281.3	56.1	593.1	1412.1	819.0	58.0	880.6	2747.4	1866.8	67.9
Poultry and egg processing	1534.5	4648.9	3114.4	67.0	52.7	205.6	152.9	74.4	204.5	204.5	0.0	0.0
Dairy industry	2022.1	4167.5	2145.4	51.5	1033.0	2836.3	1803.3	63.4	299.9	643.4	343.5	53.4
Preserves industry	38599.2	47735.6	9136.4	19.1	27994.0	35580.5	7586.5	21.3	1872.4	1667.2	-205.2	-12.3
Milling industry and compound feed	33521.2	38092.9	4571.7	12.0	11884.8	13612.7	1727.9	12.7	817.4	877.1	59.7	6.8
Sugar industry	8368.5	23977.6	15609.1	65.1	5983.7	14595.1	8611.4	59.0	95.6	154.7	59.1	38.2
Vegetable oil industry	19847.9	29838.5	9990.6	33.5	12043.5	16101.3	4057.8	25.2	40.9	166.4	125.5	75.4
Baking-, pastry- and sweets industry	9421.0	11348.6	1927.6	17.0	6317.6	7581.9	1264.3	16.7	1733.6	1874.2	140.6	7.5
Alcohol-, drink and starch production	27871.8	29238.2	1366.4	4.7	19705.1	21366.9	1661.8	7.8	3598.0	3520.4	- 77.6	- 2.2
Tobacco and other food articles	1412.4	2541.6	1129.2	44.4	750.8	1823.1	1072.3	58.8	104.3	113.9	9.6	8.4
Plant growing	103242.3	369309.6	266067.3	72.0	28612.3	79224.9	50612.6	63.9	9389.5	48965.7	39576.2	80.8
Horticulture	31956.7	31988.1	31.4	0.0	21462.0	21488.7	26.7	0.1	2999.2	2993.8	- 5.4	- 0.1
Livestock and animal-derived products	3641.8	4500.5	858.7	19.1	3032.6	3099.8	67.2	2.2	333.5	333.5	0.0	0.0
Forestry	0.0	0.0	0.0	-	0.0	0.0	0.0	-	0.0	0.0	0.0	-
Total	290252.0	617490.9	327238.9	53.0	139465.1	218928.9	79463.8	36.3	22369.2	64262.2	4189.3	65.2

Distribution of agricultural and food industrial exports in 1992,
to contracting- and destination countries and the share of mediation trade

Product group	Czech and Slovakian Republic				Rumania				in 1000 USD and per cent Yugoslavia			
	Contract-	Destina-	Difference		Contract-	Destina-	Difference		Contract-	Destina-	Difference	
	ing	tion	value	%	ing	tion	value	%	ing	tion	value	%
Meat industry	3231.0	3509.7	278.7	7.9	676.7	1231.5	554.8	45.1	8910.3	47712.7	38802.4	81.3
Poultry and egg processing	1474.3	844.7	-629.6	-74.5	198.2	198.2	0	0	1343.3	5582.4	4239.1	75.9
Dairy industry	266.6	266.6	0	0	434.8	478.9	44.1	9.2	4998.8	6357.4	1358.6	21.4
Preserves industry	6462.3	7136.7	674.4	9.4	3881.2	3978.9	97.7	2.5	6284.9	9742.4	3457.5	35.5
Milling industry and compound feed	411.7	703.3	291.6	41.5	7676.1	8408.6	732.5	8.7	4181.9	6070.2	1888.3	31.1
Sugar industry	461.1	14.0	-447.1	-3193.6	9101.3	10247.2	1145.9	11.2	6334.7	9332.6	2997.9	32.1
Vegetable oil industry	4502.2	7015.3	2513.1	35.8	220.2	4589.4	4369.2	95.2	5155.3	44689.2	39533.9	88.5
Baking-, pastry- and sweets industry	3243.9	4072.2	828.3	20.3	6382.0	6940.7	558.7	8.0	44.5	165.7	121.2	73.1
Alcohol-, drink and starch production	11706.1	11855.3	149.2	1.3	34964.3	38398.3	3434.0	8.9	4416.6	5340.1	923.5	17.3
Tobacco and other food articles	651.7	16512.0	15860.3	96.1	395.4	494.9	99.5	20.1	607.6	637.3	29.7	4.7
Plant growing	16000.3	16117.5	117.2	0.7	12777.5	21288.9	7511.4	35.3	19911.4	26528.8	6617.4	24.9
Horticulture	9288.8	9642.5	353.7	3.7	2026.9	2039.6	12.7	0.6	3140.2	3479.0	338.8	9.7
Livestock and animal-derived products	2734.7	3090.7	356.0	11.5	616.2	617.1	0.9	0.1	7971.2	20887.8	12916.6	61.8
Forestry	243.7	285.5	41.8	14.6	0.2	0.2	0	0	1960.6	6621.7	4661.1	70.4
Total	60678.3	81126.1	20447.8	25.2	79351.1	98912.3	19561.2	19.8	75261.3	193147.3	117886.0	61.0

Distribution of agricultural and food industrial exports in 1992
to contracting- and destination countries and the share of mediation trade

in 1000 USD and per cent

Product group	USA				France				Switzerland			
	Contract-	Destina-	Difference		Contract-	Destina-	Difference		Contract-	Destina-	Difference	
	ing	tion	value	%	ing	tion	value	%	ing	tion	value	%
	country	country			country	country			country	country		
Meat industry	1702.9	1089.5	-613.4	-56.3	13147.4	13581.3	433.9	3.2	11545.6	9575.1	-1970.5	-20.6
Poultry and egg processing	4296.4	1675.6	-2620.8	-156.4	48959.7	49972.9	1013.2	2.0	23971.9	27310.4	3338.5	12.2
Dairy industry	5609.7	5609.7	0	0	4938.6	4938.6	0	0	963.2	176.7	-786.5	-445.1
Preserves industry	37307.0	38084.6	777.6	2.0	5696.4	6924.3	1227.9	17.7	11900.8	7388.9	-4511.9	-61.1
Milling industry and and compound feed	321.1	1.6	-319.5	-19968.7	159.0	0.0	-159.0	-100.0	4637.8	346.6	-4291.2	-1238.1
Sugar industry	1413.6	6.4	-1407.2	-21987.5	3808.9	0.0	-3808.9	-100.0	134.0	0.0	-134.0	-100.0
Vegetable oil industry	2071.6	151.0	-1920.6	-1272.0	648.4	61.8	-586.6	-949.2	32813.1	8963.7	-23849.4	-266.1
Baking-, pastry and sweets industry	2080.5	1508.6	-571.9	-37.9	1635.4	2691.0	1055.6	39.2	719.8	1246.7	526.9	42.3
Alcohol-, drink and starch production	4652.4	4589.3	-63.1	-1.4	3059.2	345.0	-2714.2	-786.7	8342.2	4259.5	-4082.7	-95.8
Tobacco and other food articles	4372.6	12.1	-4360.5	-36037.0	663.1	658.4	-4.7	-0.7	16471.3	467.4	-16003.9	-3444.0
Plant growing	8390.1	49.0	-8341.1	-17022.7	21609.1	5449.6	-16159.5	-296.5	138927.2	9406.9	-129520.3	-1376.9
Horticulture	620.6	584.1	-36.5	-6.2	851.2	953.4	102.2	10.7	2132.8	2140.6	7.8	0.4
Livestock and animal-derived products	853.4	61.9	-791.5	-1278.7	5096.4	4849.7	-246.7	-5.1	3392.6	2960.0	-432.6	-14.6
Forestry	24.0	19.0	5.0	-26.3	393.8	393.8	0	0	142.6	119.8	22.8	-19.0
Total	73715.9	53442.4	-20273.5	37.9	110660.6	90819.8	-19846.8	-21.9	256094.8	74362.4	-181732.4	-244.4

Distribution of agricultural and food industrial exports in 1992
to contracting- and destination countries and the share of mediation trade

in 1000 USD and per cent

Product group	Austria				Germany			
	Contract- ing country	Destina- tion	Difference value	%	Contract- ing country	Destina- tion	Difference value	%
Meat industry	31555.9	8980.9	-22575.0	-251.4	106865.5	103073.6	- 3791.9	- 3.7
Poultry and egg processing	39165.6	32597.2	- 6568.4	- 20.2	118424.7	114724.0	- 3700.7	- 3.2
Dairy industry	12626.1	6379.9	- 6246.2	- 97.9	1316.4	2413.6	1097.2	45.5
Preserves industry	33463.4	27765.2	- 5698.2	- 20.5	160298.0	157887.3	- 2410.7	- 1.5
Milling industry and compound feed	2597.4	485.7	- 2111.7	-435.0	2179.2	1456.7	- 722.5	-49.6
Sugar industry	11164.5	2609.5	- 8555.0	-327.8	7875.5	1326.7	- 6548.8	-493.6
Vegetable oil industry	11455.0	6880.4	- 4574.6	- 66.5	6220.1	2117.4	- 4102.7	-193.8
Baking-, pastry- and sweets industry	21472.9	8915.4	-12557.5	-141.0	10450.4	15882.9	5432.5	34.2
Alcohol-, drink and starch production	7512.9	5031.4	- 2481.5	- 49.3	20625.8	20599.0	- 26.8	- 0.1
Tobacco and other food articles	10923.3	10036.2	- 887.1	- 8.8	8745.5	6840.1	- 1905.4	-27.9
Plant growing	43907.6	21460.8	-22446.8	-104.6	101365.1	66335.6	-35029.5	-52.8
Horticulture	28577.8	25331.7	- 3246.1	- 12.8	33424.3	33854.3	430.5	- 1.3
Livestock and animal-derived products	12606.7	3225.2	- 9381.5	-290.9	20270.8	17432.9	- 2837.9	-16.3
Forestry	39303.6	35764.0	- 3539.6	- 9.9	1877.1	1592.0	- 898.9	-17.9
Total	306332.7	195463.5	-110869.2	- 56.7	599938.6	545536.7	-54401.9	-10.0

Distribution of agricultural and food industrial exports in 1992
to contracting- and destination countries and the share of mediation trade

Product group	The Netherlands				Italy			
	Contract-	Destina-	Difference		Contract-	Destina-	Difference	
	ing	tion	value	%	ing	tion	value	%
	country	country			country	country		
Meat industry	20550.6	11957.7	- 8592.9	- 71.9	90522.4	79956.0	-10566.4	-13.2
Poultry and egg processing	4630.7	5053.9	423.2	8.4	30658.1	30267.3	-390.8	- 1.2
Dairy industry	7007.4	7419.3	411.9	5.6	3198.3	3194.1	-4.2	- 0.1
Preserves industry	11139.6	13606.4	2466.8	18.1	6575.7	4139.6	- 2436.1	-58.8
Milling industry and compound feed	97.4	58.1	- 39.3	- 67.6	2672.8	2489.7	-183.1	- 7.4
Sugar industry	1011.7	24.7	- 98.7	-3996.0	3322.5	3470.8	148.3	4.3
Vegetable oil industry	17372.5	7094.6	-10277.9	-144.9	7677.0	4393.6	- 3283.4	-74.7
Baking-, pastry- and sweets industry	718.3	1206.2	487.9	40.4	944.3	1810.0	865.7	47.8
Alcohol-, drink and starch production	3361.1	3379.8	18.7	0.6	5297.0	8835.9	3538.9	40.1
Tobacco and other food articles	375.7	259.4	116.3	- 44.8	5745.0	5886.1	141.1	2.4
Plant growing	97254.4	17753.4	-7950.1	-447.8	25002.4	22532.8	- 2469.6	-11.0
Horticulture	4236.3	5694.8	1458.5	25.6	3195.6	3627.3	431.7	11.9
Livestock and animal-derived products	3781.3	734.8	-3046.5	-414.6	100003.8	94682.5	- 5321.3	- 5.6
Forestry	622.4	622,9	0.5	0.0	38945.0	38046.1	- 898.9	- 2.4
Total	172159.4	74866.0	-97293.4	-130.0	323759.7	303332.0	-20427.7	- 6.7

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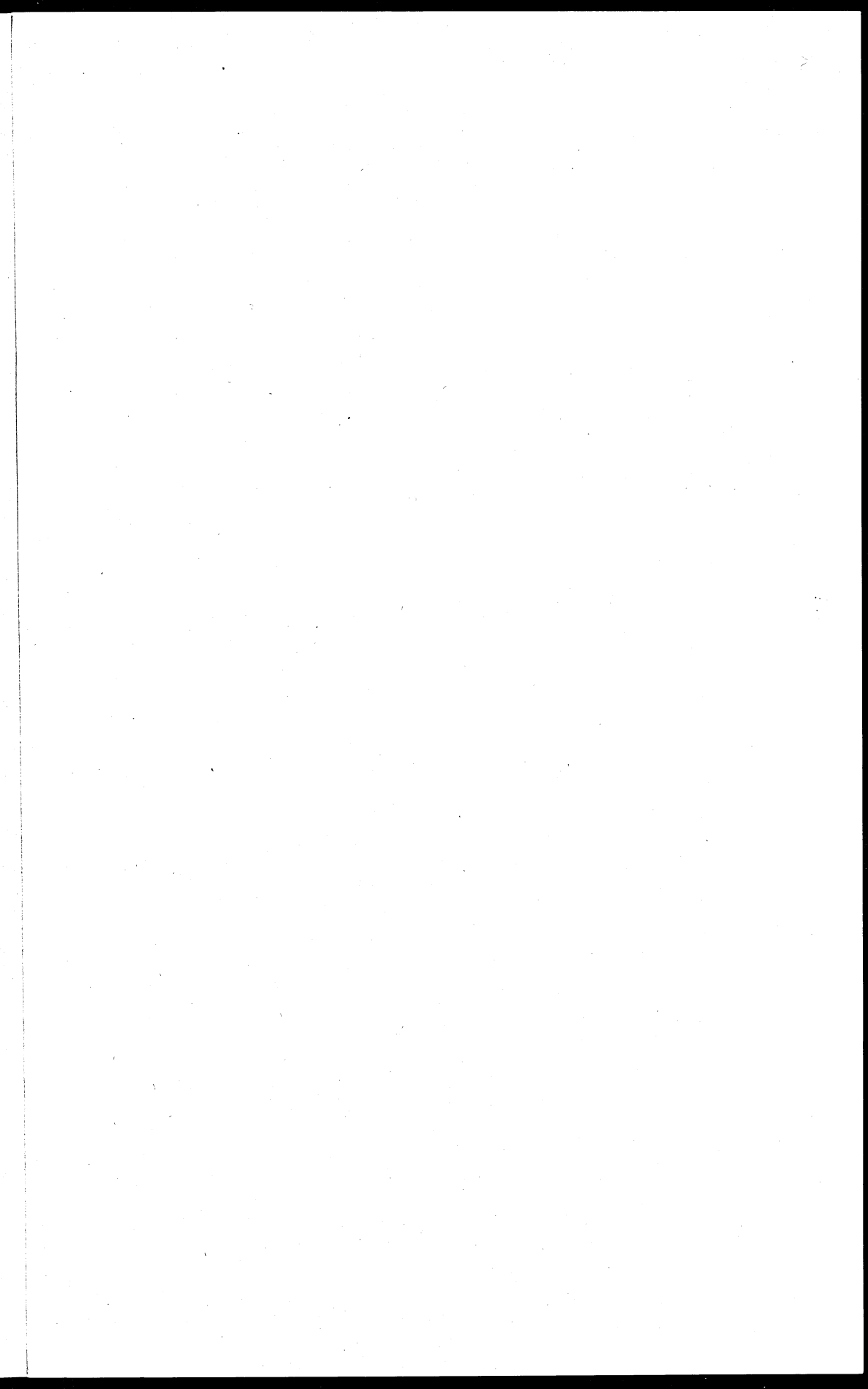
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