Hungary cuts spending

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Susan Viets in Budapest

SIX months into the fiscal year, the Hungarian Parliament approved harsh measures yesterday to help bring the budget deficit under control.

The move followed last month's International Monetary Fund decision to suspend partial credit payments to Hungary.

"The country's solvency and economic well-being is at stake," the Minister of Finance, Mr Laszlo Bekesi, told Parliament this week. The Prime Minister, Mr Miklos Nemeth, added that Hungary's foreign debt stood at £9.2 billion, still one of the highest per capita in the Eastern bloc.

The IMF and the international banking community are encouraging the government to shift the debt burden from external to internal sources.

Bond markets and a rudimentary stockmarket have been established to tap savings.

Hungary, however, still relies on foreign loans. In May, 1988, a deal was signed allowing Hungary to draw £221 million worth of IMF credit in five equal allotments over 12 months.

Last month the final payment was denied, because Hungary's budget deficit was already £170 million in excess of its projected annual total of £120 million.

Details of the negotiations between Hungary and the IMF, usually kept secret, were disclosed last month.

The anti-inflationary package passed yesterday in Parliament will reduce defence and state administration expenditure. The total budget deficit is to be reduced to just under £220 million.

"We have to go beyond a few cliches and ideological taboos established in the 1950s," Mr Nemeth said to a receptive Parliament.

"Entrepreneurship," he said, "should be considered a virtue."

The IMF is expected to renew its credit in the wake of Hungary's budgetary changes.

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