

Trip raises Hungarian hopes for Western aid

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Susan Viets in Budapest

HUNGARY is preparing to give President George Bush a lavish welcoming ceremony when he arrives in Kossuth Square in front of the parliament late tomorrow.

A shock of Stars and Stripes will break the austere facade, and add relief to the large number of black flags being flown in preparation for the funeral of the former general secretary, János Kádár, who will be buried the day after Mr Bush leaves.

The visit of Mr Bush is seen as an attempt to monitor progress after 13 months of Hungarian reforms.

In the build-up to the visit, a great deal has been written on Hungarian-American trade, and the statistics reveal weak economic ties.

About 30 joint ventures exist and the Hungarian trade surplus with the US last year amounted to \$100 million.

Commercial banks finance most of Hungary's \$14.5 billion foreign debt. The Americans rank third behind the Japanese and West Germans as creditors.

Despite the government's attempt to create a market economy, the foreign debt continues to be a heavy burden. Debt servicing will become unmanageable by the early 1990s if there is no major Western capital input.

American tax concessions have recently been introduced under the general system of preferences, which will reduce tariffs on Hungarian goods by more than \$5 million and will promote Hungarian sales in the US.

The visit is expected to encourage the US Congress to extend the most favoured nation trading status from the present one-year period to five years.

The Hungarian Government also wants Congress to approve the Overseas Private Investment Corporation for Hungary, a scheme that guarantees foreign investments in politically unstable regions.

But as Mr Bush himself points out, his East European visit is more likely to result in "hand-ups" than "hand-outs".

The hope is that Mr Bush will spread the word of Hungarian reform at the Paris summit, where serious financial negotiation might occur. The Hungarian Government is rumoured to be requesting an \$8 billion loan from the Western allies in Paris, to be repaid in forints, the local currency.

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