had difficulty attracting highly educated Hungarians to take leadership positions in the cooperatives and state farms.

The food processing industry suffers from low productivity in comparison with Western countries. Part of this is attributable to poor management, but the main problem, again, is insufficient capital. Modernization of outdated technology would greatly increase efficiency and allow for more flexibility to match demand. Modernization is costly, however, and Western technology demands hard currency. Another major problem in the food processing industry is the lack of domestically produced, high-quality packaging materials. The poor quality of packaging hinders Hungary's ability to expand into Western markets, where consumers are accustomed to more attractive and functional packages.

In the late 1970s and early 1980s, the Hungarian government began a series of trade reforms designed to increase integration with the West. The goals of the reforms were to bring domestic prices in line with world prices, to achieve complete convertibility of the forint, and to increase hard currency trade with the West, while at the same time decreasing trade with other members of the Council for Mutual Economic Assistance (CMEA). Formerly, trade was governed by several foreign trade organizations, each with a monopoly in a given commodity. The Hungarian government ended these monopolies, allowing production enterprises to choose among existing foreign trade organizations, or to apply for their own foreign trade rights. By 1986, over 250 enterprises had attained such rights (Situation and Outlook Report, 32). Export agreements with members of the CMEA still received first priority, however, and competition between enterprises was discouraged.

In 1988, Hungary continued its push towards greater integration with the West by becoming the first Warsaw Pact country to sign a bilateral