

# POLITICAL ECONOMY

## HUNGARY

### THIRTY MILLIONS ADVANCE IN EXPORT TRADE OF FIRST FOUR MONTHS

According to the latest report published by the Hungarian Statistical Bureau, the value of imports in the month of April amounted to 39.1 million pengő (35.6 millions in April 1938), while that of exports amounted to 49 millions (41.6 millions in 1938) the balance of foreign trade in April showing an excess of exports of 9.9 million pengő. In the first four months of the year the value of imports amounted to 161.1 million pengő (131.4) and that of exports to 191.5 millions. That is, the trade balance for the first four months of the year shows an excess of exports of 30.4 million pengő. Compared with the records of the same period last year, there was a considerable increase in the imports of copper, pig-iron and scrap-iron, coke, sawn wood and dressed furs; on the other hand the imports of raw tobacco and timber decreased. As regards exports, there was a notable increase in the exports of wheat to Italy (1.548.930 quintals) and Germany (570.849 quintals), in exports of pigs to Germany (129.134), and in the quantities of clover and lucerne seeds exported to Germany (27.424 quintals). There was, however, a decrease in the exports of maize, rye, cattle, butter and railway carriages.

### REMARKABLE INCREASE IN HUNGARY'S COAL OUTPUT

On May 6th the Hungarian Ministry of Commerce published its report on Hungary's coal production in March, together with the records concerning the production and sale in the first quarter of the year. The total production of Hungarian collieries in March amounted to 8.991.784 metric quintals 1,758.554 quintals (i. e. 24%), more than in March, 1938. The total number of colliers employed was 38.521, 8000 more than in March 1935 and 3300 more than in March 1938. Almost all branches of consumption have increased their consumption of coal this year, the increase being most remarkable in the case of the State Railways, iron industry, food industry, textile industry, agriculture, electric works, gas works and private households. There was a remarkable increase also in our coal exports: in March Hungary exported 291.950 quintals of coal, mostly to Germany, Yugoslavia and the former Czech terri-

tories. At the same time 336.086 quintals of coal and 518.570 quintals of coke were imported, mainly from Germany, Poland and the former Czech territories. There was a slight decrease in the imports of both the latter articles.

In the first quarter of this year, the total coal output of Hungary amounted to 27.829.118 quintals, while the quantity marketed was 26.087.217 quintals. The increase as against 1936 amounted to 8.2 million quintals (41.8%), and as against 1938 to 3,575.747 quintals. (14.7%).

## RUMANIA

### ANGLO-RUMANIAN ECONOMIC AGREEMENT

Ever since the autumn of last year it had been rumoured in both British and Rumanian economic quarters that the two countries were preparing the conclusion of a new trade agreement. The German-Rumanian trade agreement was a great surprise to Britain and seemed to offer Germany an unrivalled position in Rumania's economic life. This agreement was, therefore, largely responsible for accelerating the Anglo-Rumanian negotiations conducted on the British side by Sir Frederick Leith-Ross. The recently concluded Anglo-Rumanian trade agreement has also, of course, a political background.

The Rumanian trade delegation, it is said, insisted throughout the negotiations on a considerable British loan to Rumania and threatened to break off the negotiations if Britain offered only the comparatively small loan of 5 million pounds sterling. Nevertheless, the British delegation was not prepared to yield, so that the Rumanians had to accept the above offer. In this connection the Rumanian press noted bitterly that Turkey had succeeded in obtaining a loan of 16 million pounds sterling, Rumania's only consolation in this respect being that this small loan — which has been given as a security against British exports to Rumania — would, according to the British delegation, be raised to a higher sum in the near future. No doubt, the British lack of confidence in Rumania is largely due to the unsettled political situation prevailing in that country. The major part of the loan is to be spent on Rumania's rearmament, while a considerably smaller portion is to be invested in Rumania. The loan was given at an interest of 5% and will expire after twenty years. In order to facilitate the re-payment of this loan, Britain has offered possibilities for the exportation of Rumania's oil, wood and corn. For next year, for instance, Britain has ordered 200.000 tons of Rumanian wheat, provided that its price will then be on the level of world parity. In addition to this, Britain has promised to help Rumania in placing her wheat in

the markets of other countries too. In this way Britain is also taking part, as it were, in the consolidation of Rumania's export trade.

Another feature of the agreement is that it endeavours to secure the same extraordinary advantages as those included in the German-Rumanian agreement. Thus, Rumania has guaranteed Britain the use of her free ports; moreover, it has been decided to set up in both countries special economic organizations partly for the purpose of directing the development of Anglo-Rumanian trade relations and partly to ensure Rumania's paying facilities. The offering of such securities on the part of Great Britain is particularly easy to understand when we remember that Britain took a very small part in Rumanias' export trade in April 1939. While the value of Germany's exports to Rumania amounted to 638 millions and that of her imports from what country to 755 millions, and while the value of Italy's exports to Rumania amounted to 158 millions and that of her imports from that country to 344 millions, Britain exported to Rumania goods of the value of only 121 millions, the value of goods imported from Rumania to Britain not exceeding 125 millions.

§. 3. of the agreement provides for the improvement of Rumania's ability to pay. Rumania is not able to finance the expenses of imports from Britain, not so much on account of her lack of foreign exchanges as of the different standards of valuation of the lei in both countries. Negotiations are to be carried on in London in the near future with a view to reducing these difficulties. There is an allusion in the agreement to the fact that Rumania will successively return to the free currency system, i. e. the gradual abolition of currency restrictions. An indication of this fact is, among other things, that Britain is only prepared to buy the 200.000 tons of Roumanian wheat at world market prices.

The agreement also contains an important promise on Rumania's part to alter her present oil exploitation regulations in a way enabling those British companies which are now responsible for almost 50% of Rumania's oil production to extend their field of activity. The regulations of oil production in recent years presented a great obstacle to the activity of the British companies concerned.

The principles laid down in the agreement are extremely significant in theory, but their practical value depends on the method of their realization. The British delegation displayed the utmost caution throughout the negotiations, which was no doubt due to the unsettled conditions and unreliability of Rumania. Thereupon the Havas Agency published a report concerning the visits to Bucharest of 6 committees of German experts, i. e. one forestry committee, one of German bankers, one from the manufacturing industry and various other

branches of industry, a committee from the late Czech Industrial Bank, one from the shipping companies, from the I. G. Farbenindustrie and the Aluminium Trust. In addition to these official groups, a number of German engineers are also said to be in Bucharest.

## DISPOSSESSION OF MINORITIES OBJECT OF RUMANIAN BILL RESTRICTING CONVEYANCE OF AGRICULTURAL PROPERTY

At the constituent meeting of the permanent Agricultural Council attached to the Ministry of Agriculture M. Cornateanu, Minister of Agriculture, announced that it was the intention of the Government to regulate by law the conveyance of agricultural real estate, in order, on the one hand, to prevent the land from being cut up into too small holdings and, on the other, *to ensure that the land for sale should pass into the possession of the Rumanian peasantry.* The Minister said that in collaboration with the Minister of Finance he had elaborated a *plan that would enable the State to avail itself of the funds of the Bank of Issue for the purpose of forestalling on the land for sale.* Besides this, adequate funds for the same purpose would be placed at the disposal of the agricultural credit banks. From the statistics taken in the district of Cadrilater — said the Minister — it was evident that *the minority population had secured possession of large tracts of land from the Bulgarians of the district because the State had not been in a position to avail itself of the right to forestall.* ("Keleti Ujság", May 13.)

## SLOVAKIA

### SLOVAK ECONOMIC CRISIS

The disordered state of the country's finances presents a difficulty that may well lead to a catastrophe in the near future. According to the "Sunday Times" of 3rd May, only one-fifth of the Government loan has been subscribed, although the time limit was twice prolonged ("Felvidéki Magyar Hírlap", May 4.). And the Slovak Government is in sore need of that loan, for the most necessary investments are to be paid out of it. Therefore M. Pruzsinsky, Minister of Finance, has again issued an appeal to the whole country, and public officials are practically compelled to subscribe. The new time limit has been fixed for 30th June.

The Slovak National Bank has been established and a Slovak currency introduced. 833 million Czech crowns have been exchanged for Slovak crowns, but the stamped Slovak bank-

notes are not accepted in the Czech Protectorate. The reason is that there is no gold cover for the Slovak paper money, nor any foreign exchanges in the Slovak National Bank, and that, according to the Slovak Minister of Finance, there is a budgetary deficit of 10 million Slovak crowns every month. According to Dr. Emericus Karvas, Director of the Slovak National Bank, the Bank began to function without possessing any foreign exchanges. For the foreign exchanges belonging to the Czecho-Slovak Republic were in Prague, and the Czechs refuse to hand over to Slovakia her share, because, they say, Slovakia did not contribute towards the establishment of a foreign exchange reserve fund. They declare that they were losers every year because of Slovakia. The standpoint of the Czech National Bank is that if Slovakia is given a certain percentage of the Bank's foreign exchanges, Slovakia must undertake her share of the Czecho-Slovak Republic's national debt. On this basis no agreement has been arrived at. Under pressure from Berlin Prague has been compelled to hand over a certain amount of foreign exchanges for Slovakia's immediate needs, but refuses to undertake any obligations for the future.

The Government has issued a succession of ordinances with a view to setting economy on its feet again, but these measures are rather a desperate catching at straws. One of them is the plan to acquire a gold cover by public contribution. In terms of Ordinance No. 102 of 17th May 1939, articles of gold, half-manufactured gold and all precious stones must be handed in. All foreign exchanges, foreign currencies, and foreign credits must be made over to the National Bank; and the same Ordinance revokes a former regulation which allowed everybody to have foreign currency to the value of 1000 Slovak crowns in his possession. The salaries of public officials have been cut, extras have ceased, no reimbursement of removal expenses will be paid in case of transfer to another post, and the tax on the income of public officials has been raised as from 1st January. Chiefly because of the lack of foreign exchanges, trade with the Czech Protectorate makes no progress, despite the fact that customs duties have been suspended. ("Slovak", May 26.). Seeing this, Slovakia turned her attention to Germany, to an economic agreement with the Reich, and to German tourist traffic. According to the "Berliner B. Z." a delegation of six left for Slovakia on 23rd May to discuss economic questions. So far no agreement has been arrived at. All that has taken place is that committees have been formed in Pozsony for the purpose of studying the question of how to develop trade between the two countries and of submitting recommendations. The head of the Slovak delegation, Dr. Zatykó, enumerated the reasons why Slovak tradesmen were unwilling to import articles from Germany. They were: 1. lack of reciprocal trade connections;

2. the misgivings of the Slovak tradesmen that the German factories would not be able to supply the kind of goods required; 3. their anxiety that they would not be able to sell German goods in Slovakia because of their high prices; 4. certain German customs duties that were very unfavourable to Slovakia. ("Slovak", May 26.). An agreement was concluded as regards German visitors to the Slovak watering-places. For instead of the usual 15.000 visitors, this year only about 500 are to be expected; and hitherto the takings of these watering-places and summer resorts formed one of the biggest items of the country's revenue. In terms of this agreement, Germans wishing to visit these spas and summer resorts will be allowed 300 marks per head per month, or 400 in case of illness. The German marks accruing from the sojourn of Germans in Slovak watering-places, will be available in turn for Slovaks who wish to visit German spas and summer resorts. The reason why this measure was necessary is that Slovakia has an over-abundance of German marks as it is, and would not be able to make use of a further influx. The Slovaks gave expression to their misgivings that people would not be very willing to avail themselves of the German marks, which are quoted at a rate greatly in excess of their real value — 11.26 Slovak crowns = 1 mark — for the purpose of holiday-making, particularly since the Slovaks have plenty of summer resorts of their own at home. To meet this difficulty it was agreed that these tourist marks could be deposited in certain Slovak banks, which would try to negotiate them on a compensation basis. "Should this not succeed, then the agreement is of no real value", says the "Slovak" in its 17th May issue.

Great difficulties are noticeable all over the country as regards the supply of foodstuffs. The shopkeepers try to hide away large or small quantities for worse days to come. This if discovered is punished severely by the authorities. A shopkeeper named Blazék, for instance, who, to discourage people from buying coffee, that he should not have to part with his reserve stores, was selling it at 60 Slovak crowns a kilogramme, was sentenced to 5 months' imprisonment and had to pay a fine of 50.000 Slovak crowns. ("Slovak", May 23.). Victor Kralik was sent to gaol for 30 days, was fined 3000 crowns and lost his licence for refusing to sell goods. In terms of a Government Ordinance, no more than one week's supply of food may be purchased in advance. For lack of foreign exchanges the factories cannot procure raw materials, nor are they easily able to market their products abroad, and are therefore obliged to stop work and close down, as has happened at Töketerebes and Nagyszlabos, mention of which cases will be found in another column of this issue. To overcome these difficulties Slovakia has been forced to resort to trade by barter with the Czech Protectorate.

In a word, economic life and the State finances have to

struggle with difficulties which of her own resources Slovakia is powerless to combat. Two courses remain: either, surrendering all her political independence, to become an economic dependency of another country, or she must return, within the framework of an extensive autonomy, to the country from which she was separated 20 years ago against the will of the people and with which for centuries she formed an economic unit.

### STAGNATION IN VILLAGES SEPARATED FROM THEIR MARKETS

The economic situation of Slovakia is growing more and more critical, especially in those villages which have no railway connections. Some of them are as far as 30—35 kilometres from the nearest small town where they could buy their most necessary supplies. In consequence of the unfortunate geographical situation (i. e. since the demarcation of the new frontiers) these villages and valleys have been excluded from the process of production, partly because they are unable to get raw materials to secure the continuation of their productive activity, and partly because it is so difficult to convey their wares to market. In these places there is a complete stagnation: industrial activity has stopped, the people have no work and, therefore, no bread. They are desperate and dependant and only hope to be saved from this dreadful situation by some miracle. Yet the possibility of relief lies near: Hungary, which is so near to them, and which means not only relief but market, employment and bread. All these villages are longing for a reunion with Hungary. The people of these villages, Slovaks as well as Magyars, openly declare that no one has a right to condemn them to sheer starvation. For their present situation is bound to lead sooner or later to starvation. Towards the North, the mountains shut them off from the outside world, while in the South, i. e. on the new frontiers, the bayonets of the Hlinka Guards form a barrier. They feel like living in a prison, and they would like to break through the walls of their prison. Among those that are in the most desperate situation are the people living in the villages situated in the valleys of the Vepor Mountains and the Gümör-Szepes Ore Mountains. These villagers have to walk hundreds of miles, by untrodden paths, if they want to get to the nearest town in their own country. In winter the roads are impassable. The villages in North-Gümör, from Murány to Dobsina and Mecenzéf, have no railway communication; at least all the railway lines lead to Hungary. The junction of the railway lines running through the valleys of Murány, Dobsina and Csetnek is not in Slovakia but in Hungary, at Pelsőc. The village of Murány is

only 22—25 kilometres from the nearest town in Slovakia by air, by rail it is as much as 70 kilometres, and even half of that line runs through Hungarian territory. The distance between Nagyszlabos and Dobsina is 12 kilometres by air, but by rail it is nearly 60 kilometres. Thus the railway centre of the Upper Gömör area of Slovakia is the village of Pelsőc in Hungary. The Hungarian authorities have permitted the Slovak trains to run through this station. But Pelsőc is also the place where all the desperate people from the other side of the borders come to complain against the prison created by the new frontiers. To complete this dismal picture we may add that the largest factory of this valley district was closed down on May 2nd.

### THE ITALO-ALBANIAN UNION AND YUGOSLAVIA

One of the natural consequences of the Italo-Albanian customs union is that Yugoslavia does not export any more industrial articles to Albania. Strictly speaking, the Italo-Albanian customs union is only the consummation of a process which has been steadily going on in recent years as a result of Italy's growing economic expansion in Albania. The union now means the complete exclusion of any possibility of competition. Yugoslav exporters realized this fact some years ago, and it was no doubt due to this fact that the Albanian branch of the *Yugoslav Export Bank* („*Izvozna Banka*“) in Tirana was closed down last year. Nevertheless, economic circles in Yugoslavia still watch the economic development of Albania with keen interest, because they hope that the intended completion of Albania's road system will offer Yugoslavia a good opportunity to export cement to *Albania*, as the two existing cement works in that country are not likely to be able to cope with the growing demand that must result. The following figures serve to illustrate the development of Yugoslavia's exports to Albania in the last five years:

1938	1937	1936	1935	1934
	(figures in millions of dinars)			
31.7	32.3	21.3	9.8	9.3

The total value of goods imported from Albania was practically stable: it was never more or less than 3—3.5 million dinars.

### YUGOSLAVIA

#### REVISION OF STAFFS OF BUSINESS FIRMS: A FATAL BLOW TO THE MAGYARS OF THE BANATE

The revision of the staffs of business firms has now begun in the Banate too, by order of the Ministry of National



Economy. The firms in question have been informed accordingly in a circular issued by M. Liviu Faur, District Inspector of Industry. They are advised to undertake this revision with the utmost severity and correctness. The contents of the circular have caused great anxiety among the leaders of the Magyar Community in the Banate. It is a well known fact that thousands of minor employees in the counties of Temes and Torontál, as well as in the town of Temesvár, have been unable for various reasons to secure their certificates of citizenship. Some of these people have what is called a temporary residence permit and hope to become full-fledged citizens in the course of the revision of citizenship. The Committee, however, insist on the presentation of this document in the course of staff revision, so that the firms, too, are obliged to require it from their employees, for, if they omit to do so, they have to pay very heavy fines. The employees, to whom this step is veritably a fatal blow, have already lodged their complaints with the Temesvár branch of the Magyar Community, wherein they inform their representatives that the firms are not prepared to keep those employees whose citizenship is still unsettled. The leaders of the Community have applied to the Inspectorate at Kolozsvár and to the Government. Among the employees threatened by the revision are many hundreds of Magyar clerks and workmen.

#### YUGOSLAVIA'S FOREIGN TRADE IN FIRST QUARTER OF CURRENT YEAR

In the first quarter of the current year Yugoslavia's exports to countries in which there are no foreign exchange restrictions represented a value of 431.300.000 dinars, as compared with 451.500.000 during the same period last year. Owing to a stricter control of imports the value of Yugoslavia's imports dropped from 432.900.000 to 398.300.000 dinars. In consequence the excess of exports, which in 1938 was 18.600.000 dinars, rose to 33.000.000. The value of her exports to countries with which she has made clearing arrangements fell from 722.300.000 to 650.400.000 dinars, and that of her imports from 878.600.000 to 858.300.000. In other words, compared with last year, when the balance was adverse to the tune of 156.300.000 dinars, the excess of imports shown is now 208.000.000.

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