

POLITICAL ECONOMY

SERBIA

FIRST ESTIMATES OF INDEPENDENT CROATIA

Dr. Kosak, Minister of Finance, has made a detailed statement relating to the first Estimates of the independent Croatia established after the collapse of Yugoslavia. In the introductory part of this statement *Dr. Kosak* addresses an appeal to taxpayers, requesting them to do their duty towards the State and to pay their taxes regularly. This appeal he considers essential also because when under Yugoslav rule the Croats regarded it as their patriotic duty *not* to pay taxes. This attitude must now be abandoned; for in future the Croats will be paying their taxes to their own State.

The Estimates are divided into two parts, the first referring to the public administration and the second to the State undertakings. The amount comprised in the Estimates of the latter is roughly 5,500,000,000 kuna. *Under this head the Minister expects to realise a surplus (profit) of 300,000,000 kuna.* *Dr. Kosak* expects the expenditure of the State administration to amount to 10,203,000,000 kuna.

The bulk of the receipts Croatia hopes to obtain from indirect taxation. The amount foreseen under this head is 4,328,000,000 kuna; direct taxation is expected to yield the sum of 3,445,000,000 kuna; the State régies are expected to provide the sum of 2,408,000,000 kuna; while the rest of the amount required the Minister of Finance hopes to obtain from „sundry receipts.

HUNGARY

HUNGARY'S INDUSTRIAL DEVELOPMENT

An interesting article by *M. Joseph Varga*, Hungarian Minister for Industry, appeared in the "Uj Világ" on 2nd April. It runs as follows:

"In war time the most obvious aims of the industrial Administration are to make rational use of the available sources of raw materials, discover fresh sources, produce artificial materials and substitutes and make their manufacture part of the scheme of controlled domestic production.

"As regards the rational employment of our available resources of raw materials, we have been successful in increas-

ing the output of almost all our coal-mines by means of new shafts and the opening up of new seams. At Brennberg coal is being worked at a depth of 630 metres; this at present is the deepest mine in Hungary. Another important development is the production of surface coal in the County of Esztergom. Here about 15 truckloads are produced daily. The systematic development of coal-mining has led to the result that our production of this important source of energy has grown rapidly year by year. *In 1913 the total quantity produced in Hungary was 10.027.000 tons. In Trianon Hungary the quantity produced in 1933 was 6.700.000 tons; by 1939 it was 10.620.000, and in 1940 there was a further increase of 8.36 per cent. In order to increase production the sum of 23.800.000 pengő was invested in the mines in 1939, 17.000.000 in 1940 and 41.500.000 in 1941; a total of 82.400.000 pengő in three years. The appropriation for 1942 is 35.000.000 pengő.*

"The large investments made in 1941 are now bearing fruit.

"The investment programme for this year, although it falls short of the sums invested in 1941, being only 35 million as compared with 41 and a half, is none the less destined to increase production in 1943 and the years following and to enable any demands for more coal that may arise to be satisfied. The transfer of the Pilisvörösvár mine, involving an expenditure of more than 10.000.000 pengő, the opening up of new coal-fields, the gigantic work that has been going on for almost three years at the Treasury mine in the Borsod coal-basin, the sinking and equipping of new shafts by means of a new freezing process now being used for the first time in Hungary, and the extension of the brown coal mine supplying the Matra electric power-station with energy, are all evidence of the ingenuity, technical knowledge and patriotism of the Hungarian mining engineers and the unselfish co-operation of the miners, who, overcoming all difficulties, strive by means of constructive work and increased production to raise the economic level of the country.

"Besides the well-known reasons for increased coal production, it must be remembered that the restored areas, though possessing little or no coal of their own, require an ever increasing quantity to supply their growing industries. There are no coal-fields of any importance in Upper Hungary, and there is very little coal in Transylvania. The one mine of any importance in the latter region would, it is true, be able to supply the Szekler counties with their needs, but because of the way the frontier has been drawn, there is no railway communication, and therefore, owing to transport difficulties, that mine cannot for the present be exploited to its full capacity. No coal at all is produced in the restored southern areas, although their indus-

tries — chiefly mills, sugar refineries, distilleries, canning factories and breweries — are highly developed.

"Otherwise, as regards the sources of industrial energy, everything indicates that *the main emphasis must be laid on electrical energy, especially in view of the possibilities afforded by the rivers of the restored areas.* The construction of a 5000 HP. power-station on the river Ung is approaching completion, and the building of another 3000 HP. one near Tiszaluc is in progress. In Transylvania we have formed a company, the *East Hungarian Electric Co. Ltd.*, which has already begun preparations for the exploitation of the water-power available there. Besides this, a power-station is being erected in the Matra district, which will use cheap Hungarian brown coal, and another at Ajka that will utilize slack.

"Despite the fact that other obligations devolving upon an aggrandised Hungary and that present conditions as regards materials and labour put difficulties in the way of electrification, *37 villages were supplied with electric energy last year, and this year it is proposed to increase that number by no fewer than 111.*

"Great progress has also been made in our domestic mineral oil production, the maintenance and development of which are of the greatest importance from the point of view of national economy and defence. At the wells of the Hungarian-American Oil Co Ltd., which have for some time already been in the hands of the State, plants for the production of gasoline and the separation of butane, as well as compressors to return the superfluous gas to the earth again, have been set up. Drilling for oil and gas in various parts of the country promises good results.

"With the enlargement of the country, areas have been restored that are promising from a mining point of view. Besides this, we have gained possession of mineral resources for which hitherto we were dependent on foreign countries. In all these mines, whether State property or only controlled by the State, a great development is noticeable. Alongside of the important task of increasing production it also devolves upon the Government to make provision for the social welfare and hygiene of the miners. In this respect conditions in the mines restored to Hungary were intolerable. At these places we are building dwelling-houses, public baths and cultural institutes with a view to training a healthier, stronger and more skilled generation of miners and to raising their standard of life to the level we have been able to ensure to those in the mother-country.

"One of our most valuable minerals is bauxite. The extraction of aluminium from it was begun in Csepel in 1935. Increased production of this metal is of major importance, because owing to the war it is being used to an ever greater extent as a sub-

stitute for copper. Seeing that the demand continues to grow, we should like to increase the output of our two aluminium factories this year. *Our greatest step in the bauxite industry, however, is the construction and fitting up, which now approach completion, of a new aluminium and alumina factory.* This new factory is expected to begin work on 15th August. We are also setting up a magnesium factory, and a new roller plant is being established for the manipulation of aluminium and other light metals. We hope that work in them will begin by the end of the year. Steps are being taken to ensure that free and even insulated electric wires, cables, water-supply fittings, milk-cans, mountings on buildings and furniture and other articles of daily use that were formerly made of copper shall in future be made of aluminium.

"In the iron and machine industries production is naturally greatest in those manufacturing war materials. But neither have the factories working to supply civilian needs been neglected; they are not only being kept working at almost their full capacity, but they have also been enlarged or preparations are being made to enlarge them.

"One of the raw materials for which we have to find a substitute ourselves is rubber. The natural rubber no longer available because of the British blockade must be replaced by the synthetic article. A synthetic rubber factory is in process of construction, and we hope it will be able to begin work by the end of the year.

"In the textile industry, which formerly used large quantities of foreign raw materials imported mainly from overseas countries, we must help the undertakings that produce domestic raw materials to replace what is no longer available. The most important of these factories will be the new cellulose plant, the erection of which is approaching completion, some of its machines having been already installed. As regards the supply of textile raw materials, we are manufacturing a substance called "cottonin" to make up the deficiency caused by the shortage of cotton. We must also reorganize the manufacture of the sacks required by agriculture and supply domestic requirements with sacks made of home-grown hemp mixed with paper, a material that goes by the name of "textilit".

"It would be very important to increase paper production. We must therefore strain every nerve to facilitate the domestic production of cellulose.

"The new situation created by the war has compelled us to engage in quite new branches of production, such, for instance, as the manufacture of resin and the refining of mineral oil. Where the refining of light oils is concerned, we are now independent of imports. Our production of paraffin and vaseline is now so large that we are able to export these commodities to

other countries. To ensure the required quantities of insulin and pepsin the collection of the necessary glands from animals has been organized. Soon we hope to be able not only to supply our own needs, but also to have a surplus for exportation.

"It has been possible to overcome at least part of the difficulties attending the supply of *leather*. It will be remembered that pigskin was ordered to be manufactured into leather to replace cowhide and calfskin. We have also done everything possible to encourage the manufacture of artificial leather from waste and to ensure the production of tannin from Hungarian oak and pine bark, in order to have a sufficient supply of our own tanning materials.

"The satisfactory result of all these strenuous efforts to supply the country with raw materials by taking full advantage of the sources available, by opening up new sources and providing artificial materials and substitutes to replace shortages, and of our determination to maintain and increase domestic production, has been that *industrial production, which in the last quarter of 1940 and the first of 1941 had shown a decline — even if only a slight one — has since then become noticeably brisker*. Thanks to this, employment in industry has not fallen off, and the number of people engaged in industrial pursuits is satisfactorily large. According to statistics, in June last year 70.500.000 hours of work were registered in the Hungarian factories. The rise in production is also seen from the figures expressing the value of the articles manufactured. In June last it was 389.200.000 pengő, as compared with 357.600.000 in January and 336.600.000 in June 1940. At present the number of people employed by the manufacturing industries is almost 400.000. Together with those employed in handicrafts the number in the Trianonn areas in May 1940 was 881.219, a new peak point in the history of Hungarian industry. At the beginning of 1941, when the Trianon areas had been augmented with part of Upper Hungary and Subcarpathia, the number was 918.000 and by May it had risen to 945.000. Together with the industrial workers of restored Transylvania and Southern Hungary the army of people for whom industry provides a livelihood is well over a million strong. *The sums invested in industry since 1939 total 533.300.000 pengő. If to this we add the 82.400.000 invested in mines, the capital invested totals 615.700.000 pengő.* Counting the 140.000.000 pengő to be spent on the proposed building of factories, the sum total of investments amounts to three quarters of a milliard pengő.

"The rapid changes that have taken place in Hungary's situation, the influence they exert on the course and extent of the constructive work begun, the growing war needs of the country that demand foresight and organization, the constant necessity for adapting our economic policy to the requirements

of the moment: all these things have made and are making our economic life dynamic and mobile. Whether it is a question of adding to our sources of raw materials, of producing and manufacturing artificial materials and substitutes, of making the best use of and developing our industrial plants, of assisting, closing down or telescoping factories, the decisive point of view today and for a long time to come must be the question of what is judged to be profitable — profitable, not to the individual, but to the nation and country as a whole."

COMPULSORY DELIVERY OF MILK IN SLOVAKIA

The November 14th, 1941, issue of the Slovak paper "*Gardista*" reports that in Slovakia an Order has been issued making the delivery of milk and milk products compulsory. It is thought that this will serve to solve one of Slovakia's most burning problems — a problem which ever since the establishment of the independent Slovak State has rendered necessary some kind of solution or at least measures to relieve the acuteness of the same. This is particularly true of Pozsony, where since the declaration of Slovakia's independence there has been a continuous shortage of milk in evidence.

Under the Order in question *the owners of agrarian real estate (i. e. of arable land, meadows and pastures) — in cases where the area of agricultural land exceeds 3 hectares — are required to deliver a certain quantity of milk and milk products (the quantity being determined by the number of cows and hectares of land respectively), the sale price to be that determined by the Price Control Office.* The quantities to be delivered are to be determined by the Pozsony Milk Syndicate with reference to each individual village. The Pozsony Milk Syndicate shall moreover appoint collecting depots for each village or group of villages separately, the producers being required to deliver the milk at the respective depots.

Under the Order in question those farmers too who do not keep any milch-animals are required to deliver at the collecting depots a certain quantity of milk.

FIRST YEAR OF ACTIVITY OF HUNGARIAN FOREIGN TRADE AGENCY IN SLOVAK CAPITAL

During the course of the past three years there has never been any obstacle on the part of Hungary to the positive development of the trade relations between Hungary and Slovakia; and we may affirm that in the manysided development of Slovak-Hungarian connections that has ensued in the meantime Hungary has always shown in an exemplary manner how to reconcile her economic interests with those of her neighbour and thereby to further the reciprocal satisfaction of the economic require-

ments of the two States. The competent factors of Slovakia and Hungary from year to year insist upon the equality of the conditions of economic reciprocity when determining in detail the framework of the trade between the two countries. In the systematically positive development of Slovak-Hungarian trade in goods two events recently set up a milestone: — in the first place, an agreement was concluded respecting the quotas of goods for the coming economic year, while in the second place the Pozsony Agency of the Royal Hungarian Foreign Trade Bureau, one of the official organs for the development of trade between Hungary and Slovakia, has just celebrated the first anniversary of the initiation of its activity. These two events offer an opportunity to review retrospectively the development of Slovak—Hungarian trade during the past three years and to outline the results achieved and the future prospects of the foreign trade between the two countries.

Hungary, which was one of the first countries to recognize the new independent Slovak State, was also one of the first to initiate direct trade relations with Slovakia. At the outset there were difficulties in principle impeding the negotiations for an initiation of the trade in goods between the two countries, but after protracted discussions the delegations representing the two Governments came to an agreement and at Budapest, on November 4th., 1939, signed the first trade convention. This first foreign trade convention was based upon the former Czecho-Slovak-Hungarian agreement, — a circumstance that is quite comprehensible in view of the fact that Slovakia figured already under that agreement as an important factor (claiming a large percentage of the total volume of trade) in the trade in goods between Hungary and Czecho-Slovakia. But this first convention left open many questions respecting the adjustment of Slovak-Hungarian trade. The negotiations were continued with interruptions of varying periods between the economic delegations of the two States; and on March 13th., 1940, the representatives of the Hungarian and Slovak Governments concluded the economic frame-agreement which has ever since served as the basis of the trade conventions. In the year 1939 the trade between Slovakia and Hungary was very slow in beginning; and there arose difficulties in particular in the matter of prices which impeded the exportation to Hungary of Slovak timber. After the initial difficulties of the first year had been overcome the trade between Slovakia and Hungary began to show an upward development, — a tendency which has been maintained ever since.

The first Slovak-Hungarian trade convention — that concluded in November, 1939 — was signed on behalf of Slovakia by Dr. Stephen *Polyák*, minister plenipotentiary, and on behalf of Hungary by Alfred *Nickl*, minister plenipotentiary; and the same delegates were responsible for the conduct of the arduous

negotiations which led eventually to the drafting of the economic frame-agreement between Slovakia and Hungary. The Slovak and Hungarian delegations have ever since been headed by Dr. Polyák and M. Nickl respectively; both are acknowledged experts in foreign trade questions, a circumstance reflected also in the fact that Minister Nickl has for decades been the head of the permanent foreign trade delegation appointed by the Hungarian Government. He is exceptionally familiar with the economic structure of Hungary and knows equally well what imports that country requires and what export surpluses it has available: and it is due to the continuity of the discussions guaranteed by his continuous presence that actual negotiations between Slovakia and Hungary are every time less protracted than before, the work being more and more devolved upon the advisory committees of the Slovak and Hungarian economic corporations, where the agreements in principle are given a practical form by the elaboration of the conditions governing the carrying into effect of those agreements. On the basis of the agreement concluded between the plenipotentiaries, *M. Alfred Nickl and Dr. Polyák, the Hungarian Government in February, 1941. decided to organize in the Slovak Capital an Agency of the Royal Hungarian Foreign Office Bureau for the purpose of rendering even closer and more permanent the intercourse between the Slovak and Hungarian economic corporations in respect of questions relating to the trade in goods. The Agency of the Hungarian Foreign Trade Bureau then began its activity in the month of March just a year ago* — that activity extending to the whole territory of Slovakia. Count Andrew Teleki, President of the Royal Hungarian Foreign Trade Bureau, appointed Nicholas Cseke, Secretary-General, to act as head of the Pozsony Agency, Dr. Gabriel Szarka, Rapporteur-General, being appointed his deputy: the latter have since that time worked with signal success in the sphere of activity entrusted to them, which is of exceptional importance for the development of trade between the two countries, and have done everything within their power to further the rapidity and smoothness of that trade. *During the year 1941 the trade between Hungary and Slovakia reached a peak point, — a circumstance to be attributed primarily to the work of the Hungarian Foreign Trade Agency. We need not be surprised to hear that on the Slovak side it has been suggested that a similar Agency should be organized by the Slovak Government in Budapest.*

And now, when we investigate the question as to the numerical results shown by the Slovak-Hungarian trade dealings, we find that in the economic year 1939—40 the value of the total volume of Slovak-Hungarian trade was fixed at 260.000.000 Slovak crowns, but that this quota was by no means exhausted in the first year following the commercial agreement. In the year 1940—41, however, the value of the goods exchanged in

the actual trade between Slovakia and Hungary exhausted the original quota of 260 million Slovak crowns. *In the economic year 1941—42 — i. e. during the first year of the activity of the Hungarian Foreign Trade Agency — the volume of Slovak-Hungarian trade already represented a total of almost 400.000.000 Slovak crowns.* This foreign trade turn-over representing a value of 400 million crowns was distributed as follows: — The trade agreement distinguishes three categories of trade; under the first category Hungary supplies agrarian products in exchange for Slovak timber, — the amount involved being 140.000.000 Slovak crowns; within the framework of the so-called "mixed category" the two countries exchange industrial articles and industrial raw materials, — the value involved being 140.000.000 crowns; and, finally, the value represented by the so-called "Rima" category — within the framework of which Slovakia supplies Hungary with iron ore in exchange for pigs, hardware and aluminium — is 120.000.000 Slovak crowns. *In the coming economic year the quotas of the trade between Slovakia and Hungary will remain on the level of value (400.000.000 crowns) already reached; that being — in view of the general tendency of foreign trade induced by the war — an exceptional result.* The tendency to expand of the volume of Slovak-Hungarian trade is shown also by the fact that, whereas in the economic year 1939—40 Hungarian-Slovak trade stood fourth on the list of Slovakia's foreign trade, of which it represented only 2.7%, in the economic year 1941—42. Hungary already claimed a quota of 5% and advanced to the third place on the list, preceded only by Germany and Italy. The further intensification of the trade between the two countries is proved also by the circumstance that the amounts of this year's quotas have been determined after taking into account to an even greater extent than hitherto the demands of the actual situation.

The reciprocal goodwill and perseverance indispensable to a successful coping with all these difficulties for the purpose of ensuring undisturbed trade between Hungary and Slovakia, is to be explained by the reciprocal character of the economic interests being fully appreciated by both Parties. The leading economic factors of the economic life of both countries alike are well aware of the great importance attaching to the economic relations between Slovakia and Hungary: *Slovakia supplies Hungary with many important raw materials, while the produce and manufactures imported by that country from Hungary contribute in no small measure to solve the public supply problems of Slovakia. The economic dependence of Slovakia is a living reality.*

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