NOTES

The Rome Pact and Hungarian Agricultural Exports to Italy (1920-1944)

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As a result of World War I, the Austro-Hungarian Monarchy was divided into its constituent elements. The newly established states were in many respects underdeveloped countries, which had had contact with world markets only through the economic structure of the Monarchy. Now that they were independent, they had to face immediately the competition of world markets.

The political problems of these countries had already existed under the Monarchy, but could not now be solved because they were replaced by others. The chief aim of the new states was to establish their own independent political and economic systems, and unfortunately in the course of these efforts nationalism became the ruling tendency.

The problem of how to adapt the national economy to these new trends of development was the basic issue facing all European governments, but it became vital for the countries of the Danube basin.[1] For the Hungarians, defeat and the Trianon Peace-Treaty made these problems even more serious. Development demanded essential changes in the economic system of the country, and especially industrial growth as well as more domestic agricultural production. The Hungarian government embarked on a long-term general economic draft-plan. Its aim was to establish the most favourable export facilities possible for Hungarian agricultural products in order to acquire the foreign currencies needed for industrial reconstruction. Agricultural exports were, in fact, the only means of earning foreign currency.

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[1] RÁNKI, GYÖRGY: Hitel vagi piac. [Credit or Market.] *Valósdg* 1980. No. 3, p. 10-25.

To help stabilize the national currency, the Hungarian National Bank was established in 1924 by the Hungarian government with the help of foreign credits.[2] In January 1925 a new protective customs tariff of 30% by value was introduced, the level of which was in accordance to similar moves by neighbouring countries.[3] As a consequence of these measures former temporary trade agreements were gradually replaced by long-term tariff contracts.

At the beginning of the 1920s efforts were also made by the Hungarian government to build up close economic and political relations with Italy. The Italian government, however, tried to take advantage of Hungary's political isolation to insist on exceptional benefits and privileged trading status. On several occasions the Italians demanded that their exports should receive extraordinary preference and that Hungary should lift its import prohibition on the main Italian export products (textiles, cars, citrus goods, rice, etc.). Italy even insisted on a 5-year prolongation of these one-sided advantages, guaranteed by the Peace-Treaty of Trianon, which expired in 1924. In July 1921 Italy raised its customs tariff rate ten-fifteen fold, which is why the concession of a most favoured trade clause was urged by the Hungarian government, but without any results. Even Hungarian attempts to take up foreign loans to reorganize her finances were used by the Italian government as an economic bargaining lever. In the agreement of 1924 the following reservation was made by Italy: should Hungary obtain the required credits from elsewhere then Italian exports (textiles, threads, cars, citrus fruits, etc.) included in the export-list would be raised as well.

The revision of the temporary Italian-Hungarian trade agreement, signed in the first half of the 1920s, took place after the official visit of the Hungarian Prime Minister Count István Bethlen to Mussolini.[4] The economic negotiations, however, were drawn out and the agreement became effective only on 1 July 1929. The tariff agreements were designed predominantly to favour Italy. An 80% preference tariff was granted by Hungary for the import of

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[2] Stabilization exchange rate of Crown was bound to 1 Pengö = 346,000 Crowns, 1 gold Crown= 17,000 paper Crown. Exchange of Crown took place in 1927. 1 Pengö= 1,2 gold Crown.

[3] Berend, T. Iván–Szehay, Miklós: A tökés gazdaság története Magyarországon 1848-1944. [History of the Capitalist Economy in Hungary, 1848-1944.] Budapest, 1978, p. 210.

[4] There can be no doubt that the signing of the Eternal Friendship Pact was the only way for Hungary to break out of its political isolation. — Juhász, Gyula: Magyarország külpolitikája, 1919-1945. [The Foreign Policy of Hungary, 1919-1945.] Budapest, 1969, pp. 111-115. — From 1927 on the Bethlen-cabinet had already taken definite measures to demand the revision of the peace-treaty. In his speech of 4 March 1928 in Debrecen, Bethlen announced the "peaceful revision." Pesti Hírlap, 4 March 1928.

figs, lemons, and oranges, for rice 45%, pilchards 50%, and olive oil 77%.[5] In return for these concessions, Italy also offered a preferential import tariff, but only for animals, animal products, and beans, as well as 10 000 hl of Hungarian wine.[6]

The very slow economic development of Hungary in the 1920s was completely wiped out by world-crisis of 1929-1933. At this time it became evident that the reserves of the country were quite inadequate to meet the demands of the modern world economy.[7] Economic cooperation with neighbouring countries could not solve Hungary's need for integration. The structural backwardness of Hungarian agriculture, its one-sided reliance on crop production and especially the unjustifiably extensive production system based on wheat growing, was fully exposed by crisis. As a consequence there

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[5] Buzás, József: Magyarország külkereskedelme, 1919-1938. [The Foreign Trade of Hungary, 1919-1938.] In: Magyarország külkereskedelme, 1919-1945. [The Foreign Trade of Hungary, 1919-1945.] Budapest, 1961, p. 33.

[6] Italy's share in Hungarian agricultural exports in 1925-1930:

1925	3.6%	1928	3.8%
1926	7.0%	1929	8.0%
1927	4.0%	1930	16.1%

ITALIAN SHARE IN MAIN HUNGARIAN AGRICULTURAL PRODUCTS (in %)

	1925	1926	1927	1928	1929	1930
Wheat	7.7	19.7	3.9	1.9	11.7	27.5
Rye	1.1	4.9	1.2	1.8	6.3	16.8
Parched beans	15.6	16.4	31.2	21.6	19.4	36.9
Clover seed	14.8	4.8	3.5	10.1	7.1	11.9
Oil seeds	12.2	9.7	5.9	6.8	6.1	4.7
Wine	0.1	0.0	0.1	1.8	1.8	0.3
Malt	23.4	22.0	11.4	12.4	5.5	8.4
Beef-cattle	1.8	10.1	19.0	15.1	39.7	56.7
Horses	21.2	20.2	17.8	15.4	31.2	30.6
Poultry	1.8	0.3	2.2	2.2	7.2	25.4
Butter	—	3.7	0.2	1.4	0.2	4.7

Statistical materials on Hungarian agriculture for peace-treaty arrangements 1947 (hereafter Peace-Treaty Arrangement). (New Hungarian State Archives, hereafter NHSA).

[7] On the impact of world-crisis in Hungary: Incze, Miklós: 1929-1933 világgazdasági válság hatása Magyarországon. [1929-1933 Impact of World Crisis on Hungary.] In: 1929-1933 világgazdasági válság hatása Magyarországon. [1929-1933 Impact of the World Crisis on Hungary.] Budapest, 1955.

was also a heavy decline in domestic prices for agrarian products, and between 1929-1933 the decrease was 54% for cereals and crops, 49% for livestock and by-products.[8]

The first reaction to the crisis was an immediate strengthening of autarchic tendencies in Europe. Hungarian agricultural exports were hit hard by the increase in foreign duties and by import quotas, since between 1925-1944 they formed 61-80% of total exports. (Table 1).[9]

The grave situation of the Central European countries was worsened not only by their internal conflicts, but also by the differences that had arisen among them, while the regrouping of European power relations directly influenced these conflicts. The three great powers, France, Germany, and Italy, were striving for control over the Danubian states, among them Hungary, with the intention of drawing them into their respective spheres of interest. It became obvious that in this struggle for supremacy only one great power would gain control over the region, and would then grant financial aid to help these countries overcome their difficulties.

In the first half of the 1930s there were two prevalent political tendencies in Western Europe. One was represented by the aspirations of economic integration of French industrial circles, based on preservation of the political *status quo*. The other was led by Germany and Italy, and sought to use political means to fulfil their economic objectives. The struggle between these two trends was of basic importance for the development of Hungary's foreign trade after 1929.

The grave economic situation of the Danubian countries was watched with concerned attention by France. In March 1930, at the meeting of the League of Nations, the French government proposed a form of cooperation with the

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[8] Berend, T. Iván - Szehay, Miklós: *op. cit.*, p. 229. — Hajpál, Gyula: *Áralakulás a két világháború között. Mezögazdasági termékék ára.* [Prices between two World-Wars. Prices of Agricultural Products in Hungary], Budapest, 1973, pp. 19-23.

[9] With regard to the period 1925-1938 cf.: Csáki, Norbert-Szitó, Balázs: *Magyarország mezögazdasági kivitele.* [The Agrarian exports of Hungary.] Budapest, 1963, p. 13. With regard to years 1939-1943: Peacy-Treaty Arrangements (NHSA). The heavy impact of the world crisis is well characterised by the average figures of the 1920s and 1930s, when in spite of protectionist agrarian policy, 14% of meat and fat, 76% of cotton, 21% of poultry, 27% of eggs, 26% of wheat, 31% honey and sugar products, 33% of vegetables, 28% of tobacco, 44% of onions, 14% of tomatoes and 16% of fruits were sold to foreign markets. This extended export ratio was only to be achieved through the existence of an extremely limited inner market.

The living standards of agricultural workers were of a very low level. Therefore the Hungarian government exported its labour force to Germany from 1937 on, in order to decrease unemployment. Csöppüs, István: Ungarische Saisonarbeiter in der Landwirtschaft des Reiches 1937-1944. *Zeitschrift für Agrargeschichte und Agrarsoziologie*, 1980. Hf. 1, p. 32-47.

TABLE 1

EXPORTS IN THE YEARS 1925-1943/44

Year	Total exports	Agrarian exports	Share of agriculture in total exports
	million pengő		%
1925	848.0	681.5	80.4
1926	876.7	721.0	82.2
1927	807.6	638.3	79.0
1928	826.0	609.7	73.8
1929	1038.5	800.1	77.0
1930	911.5	682.6	74.9
1931	570.4	388.8	68.2
1932	334.5	220.7	66.0
1933	391.3	280.0	71.6
1934	404.2	281.0	69.6
1935	451.5	304.8	67.5
1936	504.4	341.9	67.8
1937	588.0	391.6	66.6
1938	522.4	341.1	65.3
1939	603.7	413.5	68.5
1940/41	527.7	356.4	67.5
1941/42	986.0	673.8	68.3
1942/43	1271.0	782.0	61.4
1943/44	1286.0	823.1	64.0

1. Counting factual data.

Central European countries on the basis of a mutual preference-system to support their weakened economies. This French proposal for collaboration failed, however, because it underestimated the intentions of the great powers and also misunderstood the preoccupations of the countries in the Danube basin.[10]

In spite of this failure, France also put forward a new suggestion for building up a defensive system against the German threat and to consolidate French political and economic influence over the Danubian countries. In May 1931, Briand, the French Minister for Foreign Affairs, had put forward a plan for a

[10] With regard to the disagreements within the Little Entente, and how it survived see: ÁDÁM, MAGDA: *Magyarország és a Kisantant a harmincas években.* [Hungary and the Little Entente in the 1930s.] Budapest, 1968, pp. 41-50. In 1930 negotiations were begun by Hungary, Rumania, and Yugoslavia in order to bring an agrarian block into existence. Czechoslovakia, Poland, and the Baltic states joined in the negotiation later, but the attempt failed.

union of the Western States. The aim of this Pan-European project was to keep Germany in check, to reduce America's influence, and to remove Soviet political influence in Europe. The plan was also to build up by certain tariff and credit preferences the economic coordination of the Danubian states, with the intention of integrating them in course of time. The note sent to the Hungarian government (1 May 1931) contained the outline of an agreement based on mutual tariff abatement, as well as for the creation of a single clearing system based on the concession of a 10 year interstate loan for agrarian investment.[11] The plan did not take account of the realities of the situation and failed. And besides Germany and Italy, Great Britain too made an important contribution to this failure.

The serious economic situation in Central Europe caused by the world crisis had given Italy a good chance to build up close economic and political relations with Austria and Hungary. According to a report from the Hungarian embassy in Rome (22 Oct. 1930), Italy was willing to sign a preference agreement with Hungary, aimed primarily at checking the initial French steps to gain control over the Danubian countries.[12]

In reply to the Italian proposal, the Hungarian government sent a note to the Italian government (17 Nov. 1930) giving an outline of Hungarian terms for a preference system. This proposed that with regard to certain articles surcharges on certain goods should be paid by each of the partners, based on certain quantitative limits. Nevertheless, preferences and surcharges were only agreed in the case of wheat exports up 5 million quintals while preferences were also granted on all Hungarian products which were difficult to sell on Austrian, Czechoslovak and German markets (such as cattle, horses, fats, bacon, butter, oats, malt, vegetables and certain oil crops, etc.). In return, preference were to be given to such Italian products as rice, citrus fruits, cheese, pilchards, cars, tractors, paper articles, textiles, etc. But nome of the partners would be permitted any tariff abatement on these articles, since a certain portion of these tariffs was to be assigned for price-support in the form of surcharges. The Hungarian government also made a proposal to create an Italian-Austrian-Hungarian customs union as a development of the preference system. To resolve the issue, the Hungarian Prime Minister, Count Bethlen, paid a private visit to Mussolini on 14 January 1931 to outline Hungarian views on economic and political cooperation between Italy, Austria, and Hungary.. The Hungarian proposal was discussed by the Italian government at

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[11] The French government tried to help the plan by granting a credit of 5 million Pengö to the Hungarian government for further wheat exports and was to receive preference in 1931 as well. The French share in wheat exports was 10.7%. Peace-Treaty Arrangements (NHSA).

[12] State Archives (Budapest), Economic-Political Dep. 1932. Italian File; Publ. Buzás, József: *op. cit.*, p. 104.

a confidential cabinet meeting and was agreed to in principle.[13] But in fact, the customs union of the three states was to be frustrated by the attitude of the Austrian government.

In the meantime there was evidence of new German intervention and on 21st March 1931 the plan for a German-Austrian tariff union was made public, which at once caused a political stir in Europe. This German attempt also failed, however, since it met with French and Czechoslovak resistance, while Italy also did her best to check German expansion and to divert any threat to Italian economic interests.[14] By this time Italy had already drawn up its political and economic blue-print for cooperation between Austria and Hungary, based on a bilateral preference-system expressed in export surcharges (the Brocchi-system).[15] The aim of this cooperation was both to keep out French capital, and to prevent German economic expansion into South-Eastern Europe as well. Hungary was asked by Italy for her collaboration in order to persuade Austria to join the agreement.

Due to weakening French influence, the Austrian-Italian contract was concluded on 20 February 1932, after a Hungarian-Italian agreement had already been signed in the summer of 1931. But because certain issues were protracted, the trilateral agreement-system never became effective.[16]

Export support was effected in Hungary by the Italian-Hungarian Joint

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[13] MÁRKUS, LÁSZLÓ: *A Károlyi Gyula kormány bel- és külpolitikája.* [Domestic and foreign policies of the government of Gyula Károlyi (1931-1932).] Budapest, 1968, p. 229. In June 1923 Italian industrialists had already proposed creating an Austrian-Hungarian-Italian customs union. This plan *Importanza dell'Italia nel mondo dopo la guerra* relied on the probable adherence of Rumania and Bulgaria. The importance of the customs union was emphasized for the reason that Hungary, Rumania and Bulgaria could provide Italy and Austria with agrarian products, while Austria and Italy would export industrial goods to these countries. By establishing customs union, a union of currencies was also considered to be ultimately inevitable.

[14] In 1931 the Austrian chancellor Schober was told in Geneva by representatives of Western Powers that the loan asked for the reorganization of the Credit-Anstalt would be granted if he refused proposals for a customs union with Germany. KEREKES, LAJOS: *Anschluss 1938*, Budapest, 1963, pp. 45-53.

[15] Italy was sure of Yugoslav participation, but due to the great influence of France, Yugoslavia did not join.

[16] To deal with the repercussions of Hungarian domestic politics on the Hungarian-Austrian trade agreement is outside our brief. It is sufficient to mention that as a consequence of the financial crisis in the summer of 1931, the Austrian and the Hungarian governments were forced to introduce emergency measures, among others currency restrictions. Austria was continuing its agro-protectionist policy at the same time, and ceased to pay allowances for Hungarian agricultural products at the end of 1931, although there had been fixed in the preference agreement. Austro-Hungarian relations were interrupted by widespread hardship and therefore economic contracts came into effect only on 1 January 1933.

Stock Company for Exports (*Olasz-Magyar Kiviteli Rt.*), and by the Central Corporation of Banking Companies (*Pénzintézeti Központ*); in Italy it was organized by the Banca Commerciale, Credito Italiano, and Banco di Roma with 2 million Lire registered capital. The sum assigned for overpayment was 3 million Pengö; respectively 10 million Lire.[17] With reference to this, Hungarian export products enjoyed the following price-supports:

Wheat	8.7%	Poultry	4.0%
Rye	8.3%	Meat	7.2%
Oats	2.5%	Bacon	5.0%
Horses	4.5%	Salami	7.0%
Cattle	5.0%	Eggs	3.0%

In the case of Italy, the highest overpayment was given to cotton materials and to cars (8%).[18]

In the first half of the 1930s Italy had alrrady by arranging the tri-partite Italian-Hungarian-Austrian agreement of 1932 gained indisputable economic control over Austria and Hungary, and so the basis for close political alliance between the three states also became a possibility. From the Hungarian point view, however, the trilateral agreement did not fulfil earlier hopes. The preference-system could not reduce internal tension by facilitating exports of agrarian products since it was not able to compensate for the impact of the world economic crisis. For example, while Italy bought Hungarian agricultural products to a value of 109.1 million Pengö in 1930, in 1934 Hungarian exports to Italy were still worth only 29.8 million Pengö. This meant that the Italian share of Hungarian exports was reduced from 16.1% to 10.6%, in contrast to the situation of Hungarian imports, where the Italian share had increased from 4.9% to 11.9% in the same time. The result of this was a permanent drain of Lire out of Hungary.[19]

Hungarian cooperation with Austria was similar. The 232 million Pengö of agrarian exports in 1930 was reduced to 90.4 million Pengö in 1934, while Austria's share of Hungarian agricultural exports decreased from 34.3% to 32.2%.[20]

As the situation deteriorated, another attempt was made by France in the hope of strengthening its influence. On 5 March 1932 Tardieu, the French Prime Minister, proposed the economic collaboration of the five Danubian states on basis of a preference-system. It should be emphasized that this plan

[17] Buzás, József: *op. cit.*, p. 107. 1 Pengö = 3,23 Lire. In Austrian trade the estimated price-support between 1 July 1931-30 June 1932 was 17 million Pongö that is 21.5 million Schilling. (1 P = 1.243 Schilling).

[18] Buzás, József: *op. cit.*, p. 107.

[19] Peace-Treaty Arrangements (NHSA).

[20] Peace-Treaty Arrangements (NHSA).

contained a number of new items, and envisaged a form of economic collaboration without any regard to the problems confronting the formation of a customs union or any other federal organization, and excluding even the great powers during intervening period of development. But this proposal failed as well. Given the international situation and German and Italian economic expansion, the Central European states were very interested to maintain their relations with Germany and Italy. In addition, the anti-French attitude of Great Britain was also a reason for the collapse of this initiative.

For the development of foreign trade, the Roman Treaty signed on 17th March 1934 was of great importance to the partners of the trilateral agreement. The agreement consolidated the Italian position against Germany, and was to be effective until the Anschluss of 1938.[21]

The main issues in the Roman Treaty were the agreements on purchases of wheat. Italy assumed obligations to buy 1 million quintals of wheat at 15 Pengö per quintal. If greater imports were needed, the Italian partner was to buy a further 1.5 millions quintals, and if the optional right was not taken up, then Italy was obliged to provide price support for selling the same quantity of wheat on other markets. Gyula Gömbös, the Hungarian Prime Minister, also hoped to receive some further export facilities for meat products and butter from the Italian government, while maintaining the foreign trade balance at a ratio of 1: 2 for Hungary. Austria was obliged to buy 2.2 million quintals of wheat (flour) for 15 Pengö per quintal, paying 1.50 Pengö per quintal for transport costs as well.[22]

After the Roman agreement, Hungarian agricultural exports to Italy increased from 29.9 million Pengö to 62.7 million Pengö in 1934-1937, and the Italian share in total Hungarian agricultural exports grew from 10.6% to 16.8%. This meant a considerable quantitative increase in exports with special regard to cereals, vegetables, malt, live-horses, beef cattle, poultry, eggs, butter, etc. (Table 2).[23] In the case of Austria, the Hungarian export trend was not of

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[21] The pact contained three protocols. The first was about political, and the second on economic cooperation. The third concerned the building up of Italo-Austrian economic relations.

[22] Peace-Tready Arrangements (NHSA). The stagnation of Austrian-Hungarian trade was used as grievance by the Hungarian representatives. " The Roman Pact was warmly accepted by Hungarian agriculture and its further maintenance is requested. Austria, however, feels disinclined to fulfil duties entered into by the Roman Pact " remarked Emil Mutschenbacher the member of the Committee 33 of Parliament. State Archives, Committee 33 Session 26 June 1936. Vol. 18.

[23] *Magyar Statisztikai Közlemények, 1934-1939.* [Hungarian Statistical Proceedings, 1934-1939.] Peace-Treaty Arrangements (NHSA); Az Országos Mezögazdasági Kamara évi jelentései, 1934-1943. [Yearly Report of the National Chamber for Agriculture, 1934-1943.] Magyarország exportpiacai (3. füzet), 1934 [Export-markets of Hungary (copy 3), 1934.].

EXPORTS OF MAIN HUNGARIAN

Articles	Units	1934	1935	1936	1937
Wheat	q	867 678	1 452 282	1 495 469	1 048 745
Rye	q	29 398	68 056	36 182	21 330
Flour (Wheat and rye-flour expressed in wheat-unit) [1]	q	36 263	11 077	27 746	84 994
Cereals (total) [2]	q	933 339	1 531 415	1 559 397	1 155 069
Barley [3]	q	26 675	60 600	142 545	44 051
Oats	q	86 020	150	92 402	32 682
Maize	q	1	—	—	—
Potatoes	q	624 065	538 195	372 381	544 203
Legumes [4]	q	64 666	144 469	41 714	87 331
Sunflower-seeds	q	1	3	—	—
Oil-seeds [5]	q	—	42 960	8 070	—
Clover and lucerne seeds	q	10	14 617	6 550	5 000
Fodder-seeds [6]	q	9 120	8 240	9 090	6 370
Fresh vegetables	q	2 033	61	38	69
Parched vegetables [7]	q	—	—	—	—
Tomato pulp	q	91	749	110	—
Red peppers	q	81	62	61	89
Sugar	q	31 200	—	12	—
Malata	q	11 888	31 907	14 369	15 370
Beef cattle	piece	50 697	46 637	51 789	82 421
Fattened live pigs	piece	147	1 792	461	—
Live horses	piece	582	2 090	1 016	1 426
Live sheep	piece	1 198	—	10	8
Slaughtered pigs	q	125	90	78	12 998
Grease	q	3	1 759	341	819
Leaf-lard and lard	q	—	165	260	14 882
Slaughtered poultry	q	2 003	3 770	7 862	11 550
Eggs	q	418	13 697	18 452	10 735
Butter	q	1 852	2 116	4 943	8 847
Feathers	q	101	41	22	59

[1] Flour ratio 65%.
[2] Wheat, rye and flour expressed in wheat-units.
[3] Beer and fodder-barley together.
[4] Beans, peas, lentils together.

AGRICULTURAL PRODUCT IN 1934-1943 TABLE 2

1938	1939	1940	1941	1942	1943
1 494 438	6 000 560	2 496 280	603 340	45 810	25 770
62 384	121 050	550	—	—	—
133 997	86 895	165 501	361 538	766 769	230 767
1 690 819	6 208 505	2 662 331	964 878	812 579	256 537
37 401	62 730	60 450	10 670	6 910	—
—	—	61 910	127 890	8 880	—
—	—	—	69 810	413 540	228 560
213 517	389 300	163 140	164 750	128 060	25 890
53 308	37 303	50 630	182 000	185 590	44 590
—	—	—	—	15 000	48 500
—	—	—	—	—	—
7 908	12 491	2 690	—	2 660	1 210
12 080	10 860	5 310	—	380	5 570
84	17	68	—	—	—
—	—	—	—	3 753	600
—	—	—	—	—	—
63	94	172	275	649	—
—	1 050	—	—	49 700	—
11 906	6 000	.	.	—	—
22 828	27 112	63 990	56 264	71 051	18 474
—	402	—	—	15 147	14 139
1 054	1 175	865	3 915	1 761	1 581
5	100	—	—	—	—
—	—	—	—	—	—
—	—	—	—	800	—
1 196	—	—	—	—	—
4 604	3 343	5 213	40 987	24 658	8 253
5 333	7 053	3 030	12 882	15 723	6 591
2 572	2 608	566	—	—	—
32	24	48	19	71	29

[5] Flax, hemp, rape.
[6] Sainfoin, field madder.
[7] Common onions and potatoes.
φ = Inexpressible in numbers; — Unavailable data.

ITALY'S SHARE IN EXPORTS OF THE MAIN

Articles	1934	1935	1936	1937
Wheat	19.0	43.9	26.2	40.7
Rye	3.3	32.7	8.7	1.9
Flour (wheat and rye-flour expressed in wheat-units) [1]	4.8	1.4	3.3	9.5
Cereals (total) [2]	15.1	35.4	23.9	20.7
Barley [3]	17.8	95.7	94.8	26.1
Oats	94.5	50.0	100.0	99.6
Maize	—	—	—	—
Potatoes	86.7	95.5	61.9	68.8
Legumes [4]	18.9	51.5	14.1	16.7
Sunflower-seeds	ϕ	ϕ	—	—
Oil-seeds [5]	—	53,8	16,6	—
Clover- and lucerne seeds	ϕ	16.8	4.7	3.4
Fodder-seeds [6]	8.1	11.3	7.4	3.3
Fresh vegetables	5.8	0.3	0.1	0.2
Dried vegetables [7]	—	—	—	—
Tomato pulp	0.2	1.6	0.2	—
Red peppers	1.8	0.9	0.6	0.4
Sugar	7.5	—	ϕ	—
Malata	4.7	9.5	6.0	4.1
Beef cattle	72.2	67.0	66.9	76.7
Fattened live pigs	0.1	1.0	0.3	—
Live horses	4.2	11.1	5.4	10.2
Live sheep	3.0	—	ϕ	ϕ
Slaughtered pigs	20.8	0.1	0.1	46.8
Grease	ϕ	0.1	0.2	10.7
Leaf-lard and lard	—	0.3	0.6	20.7
Slaughtered poultry	0.8	1.8	4.4	5.0
Eggs	0.4	16.6	26.6	0.9
Butter	5.8	9.0	10.6	12.8
Feathers	0.3	0.2	0.1	0.2

[1] Flour ratio 65%.
[2] Wheat, rye and flour expressed in wheat-units.
[3] Beer and fodder-barley together.
[4] Beans, peas, lentils together.

HUNGARIAN AGRICULTURAL PRODUCTS (in %) TABLE 2

1938	1939	1940	1941	1942	1943
34.3	59.6	63.6	40.5	19.4	1.8
22.3	63.2	20,4	—	—	—
24.8	7.2	19.5	43.2	54.4	25.0
30.9	54.9	55.8	39.5	47.1	10.7
71.7	79.9	53.7	47.7	84.2	—
—	—	96.6	82.6	100.0	—
—	—	—	17.2	47.1	38.6
97.9	86.8	83.3	69.4	87.2	78.5
16.7	11.7	36.4	32.8	42.0	12.4
—	—	—	—	12.9	12.0
—	—	—	—	—	—
6.6	11.9	6.3	—	2.8	2.8
9.6	8.6	5.9	—	0.5	5.8
0.3	ϕ	ϕ	—	—	—
—	—	—	—	5.7	0.5
—	—	—	—	—	—
0.2	0.4	1.1	1.2	8.4	—
—	64.8	—	—	31.2	—
5.0	1.4	.	.	.	—
41.7	36.3	60.5	50.2	66.2	30.6
—	0.1	—	—	22.4	19.0
8.9	17.8	17.0	27.6	16.0	23.3
ϕ	0.4	—	—	—	—
—	—	—	—	—	—
0.9	—	—	—	40.0	—
2.2	—	—	—	—	—
1.9	1.7	4.2	26.1	26.1	19.1
3.8	6.8	4.6	9.9	25.9	21.6
6.6	7.3	4.2	—	—	—
0.1	0.1	0.2	0.1	0.2	0.2

[5] Flax, hemp, rape.
[6] Sainfoin, field madder.
[7] Common onions and potatoes.
ϕ — Inexpressible in numbers; — Unavailable data.

the same character because the value of Hungarian agricultural exports to Austria changed little in 1934-1937 (90.4 million Pengö and 91 million Pengö) but it decreased as a share pro rata (32.2% and 23.2%).[24]

Mussolini and Dollfuss, though not without resistance, consented to this agreement first of all for political reasons, which were of indisputable importance for the Hungarian partner. To this end, the quantity of wheat sold on Italian-Austrian markets was more than six fold the quantity which had been exported on the basis of the German-Hungarian agreement signed in 1934.[25]

The negotiations held in Rome were watched attentively by German interests because German influence was thought to be threatened in the Danube basin. The Hungarian government did what could be done to quieten German fears, which is why the German-Hungarian trade agreement of 1934 preceded the signing of the Rome pact.

In the second half of the 1930s and especially on the eve of World War II, the balance of power changed and as a consequence the political battlefield of the Danube basin also swung in favour of Germany and because it had become the stronger power it gained decisive influence in this region over Italy.

The Hungarian government's strategy of relying on Italy in order to keep in check German political and economic influence had also reached deadlock by that time. The failure of this strategy is demonstrated by the fact that at time of the outbreak of World War II in 1939, the share of the Third Reich in Hungarian agricultural exports had risen to 61.1%, while Italy's was only 20.7%.[26]

Looking at Italo-Hungarian economic relations between 1938-1943, it can be seen that trade had risen four fold. (Table 3).[27] Hungarian imports had increased markedly but the rise in prices and the fall in the exchange rate against Hungary played a major part in this trend. This situation is reflected in the price-index (August 1939; April 1942) of the Hungarian Foreign Trade Office, which shows that in the period of World War II the average price level of

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[24] Peace-Treaty Arrangements (NHSA).

[25] Berend, T. Iván-Ránki, György: *Magyarország a fasiszta Németország "életterében"*. [Hungary in the "Lebensraum" of Fascist Germany.] Budapest, 1960, p. 122. From the agrarian point of view, Italian markets were advantageous but for imports they were unremunerative. This was emphasized by Tihamér Fabiny, Minister of Finances: "As you may see with regard to Italian trade, we are to receive Lire, but it cannot be considered as currency, since it is only an assignment for articles we are not in need of, or if we are, then they are not permitted to be exported [by the Italians], because we are mainly in need of raw materials or such like articles that the Italians are themselves short of too." State Archives, Parliamentary Archives, Committee 33 Session 26 June, 1936, Vol. 18.

[26] Peace-Treaty Arrangements (NHSA).

[27] No. 52 report of the Hungarian Research Institute in Economics.

TABLE 3

HUNGARIAN-ITALIAN TRADE IN THE YEARS (1938–1944)

	1938	1939	1940	1941	1942	1943	1944
Imports in 1000/P	25 659	34 866	55 680	150 160	226 136	201 272	1 873
Total imports in %	6.25	7.12	9.30	24.00	24.6	17.5	0.2
Exports in 1000/P	44 196	93 677	76 386	113 751	228 075	158 288	10 472
Total exports in %	8.46	15.52	16.30	14.20	20.00	12.30	1.10
Balance in 1000/P	+18 537	+58 811	+20 706	—36 409	+ 1 939	—42 984	+ 8 579

total Hungarian exports to Italy increased by 49%, while Italian import price levels rose by only 22.1%.[28]

This heavy fall in exchange rates was of great disadvantage to Hungary because in 1942 50% more goods had to be exported to balance the same quantity of Italian imports than before the outbreak of war. Taking total exports to Italy, the proportion of agrarian products was about 80% (in 1939 it was even more: 91.5%), which meant a heavy increase in agrarian exports to maintain the financial balance.[29]

Commodity prices rose as follows:

INCREASES IN PRICES IN THE SECOND HALF OF 1941 (in %)

Main imports	articles (Prices in the second half 1940 = 100)	Main exports	
Lemons	90	Wheat	31
Oranges	54	Flour	47
Almonds	97	Beans	30
Hazelnuts	174	Peas	22
Chestnuts	353	Cattle	31
Rice	50	Poultry	108
Staple fibre thread [30]	186	Vacuum tubes	28
Mixed staple fibre textile	80	Electricmotors	22

[28] State Archives Economic-Political Dep. of Ministry for Foreign Affairs. D. File 86, 7-8]70 p. Publ. NAGY, ANDRÁS: *Magyarorszdg külkereskedelme a második világháborúban.* [Hungarian Foreign Trade in World War II.] In: Magyarország külkereskedelme 1919–1945. [In: Foreign Trade of Hungary 1919–1945.] Budapest, 1961, p. 252.

[29] Peace-Treaty Arrangements (NHSA).

[30] NAGY, ANDRÁS: *op. cit.*, p. 252, 336. The prices of Italian textile stocks and products had risen especially because Italian exporters had exploited Hungary's isolation from overseas cotton markets. Shortages of raw materials could have caused major cri-

Italy insisted on the liquidation of 36.4 million Pengö worth of Hungarian liabilities and on the increase of agricultural exports, and was not prepared at any time to discuss price problems in interstate negotiations. The outcome of this economic pressure was the settlement of Hungary's liabilities in 1942.[31]

In the negotiations of the Italian-Hungarian joint commission in the autumn of 1942, Hungary raised price problems again. Attempts were made to introduce German principles and practice, by which trade was conducted independently of cash payments in war-time. The proposal was rejected and Italy retained its earlier policy of clinging to the financial balance. Even the witholding of Italian export licenses was threatened if Hungary did not fulfil its export obligations. The fall in the exchange rate was also used to reduce Italian exports in quantity, in line with heavy price inflation.[32]

IMPORT QUANTITIES SET IN THE ITALIAN-HUNGARIAN AGREEMENT

Articles	1941/42	1942/43
	1 000 q	
Lemons	140	75
Oranges	250	75
Staple fibres	30	16
Cotton yarns	9	3
Cotton materials	12	7
Rayons	40	24
Staple fibre thread	40	26
Staple fibre textile	15	8

In the negotiations which continued in the spring of 1943, the earlier trade agreement was prolonged by six months, but trade fell off markedly in the summer of 1943, when Italy declared its withdrawal from the war. The instability of the situation forced Hungarian business establishments to gradually cease their exports.

Now let us examine Hungarian agricultural exports to Italy during World War II. (Table 2). At outbreak of war, and especially when Italy entered the war in 1940, German-Italian disagreements focussed on the acquisition of ever larger quantities of Hungarian agricultural products. The debates centred first of all on the question of wheat exports.

ses in the textile industry. Increases in the price-index in 1940-1941 (1940= 100) were in the case of staple fibres 192%, of cotton thread 234%, of cotton materials 237% and of rayon yarn 172%.

[31] No. 51 report of the Hungarian Research Institute in Economics p. 106.

[32] NAGY, ANDRÁS: *op. cit.*, p. 337.

As a consequence of the disastrous Italian wheat harvest of 1938, Italy imported 6.2 million quintals of flour from Hungary in 1939 (wheat, rye, and other flour). But since Hungary had exported only 1 million quintals of flour to Germany, this was not passed over in silence.[33] At the negotiations of the Hungarian-German joint commission there was a sharp debate on the issue and the problem was solved by a trade agreement signed in the summer of 1940, according to which 50% of Hungarian flour — and more than 60% of her maize exports — was to be bought by Germany, and only the remaining quantity was to be exported to Italy.[34]

It has to be emphasized that this increase in Hungarian exports to Germany was not in the interest of Hungary at all. In fact, by that time Germany had become heavily in debt,[35] and therefore great stress was laid by the Hungarian government upon the acquisition of Lire but they also wished to import armaments from Italy.

In order to resolve the question, the price of wheat was fixed at 65 Lire/quintal by Italy at the Italian-Hungarian negotiations in July 1939, but in course of secret correspondence it was raised and fixed at 76 Lire/quintals. The difference was paid into a special account by Italy, which was assigned to the military equipment purchased by the Hungarian government.[36]

Cattle were the other major Hungarian agricultural product for Italian markets. In pre-war years a fixed contingent of 56 thousand head of cattle was usually exported each year. Changes occurred only when foot- and- mouth disease broke out in Italy in 1938-1939. Large-scale cattle slaughtering cut prices to a low level and the Italian authorities, in the interest of their cattle-breeders, raised customs tariffs to 150-200% in October 1936. The cattle tariff was increased from 30 to 85 Lire, making Hungarian cattle exports 40% dearer; in 1937 liveweight per kg was 5 Lire and it fell to 4-4.5 Lire by 1938.[37]

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[33] As a consequence of the extremely good Hungarian harvest it was possible in 1939 to produce exports of wheat, rye and flour of 11.3 million quintals (counting the latter in wheat-units, the flour differential being 65%). Germany's share of exports was 26.5%.

[34] State Archives, Economic-Political Dep. K/69. File 661. Mixed German documents. No. 18. Confidential protocol signed in summer 1940. Clodius the German embassador expressed Berlin's disapproval concerning the 2 million quintals of wheat exported.

[35] State Archives, Z-12-28-76. 1939. On 23 Nov. 1939 the German debt was 48 million RM. According to the report of the general assembly of the Hungarian National Bank in 1947, Hungarian debts were 1,057 million RM = 1,764 million Gold-Pengö. A futher, 2 billion P for German troop-supply compensation was to be added to this debt, making 3,764 million P. altogether.

[36] State Archives Cabinet protocols. The meeting 25 July 1939.

[37] No. 37. report of the Hungarian Research Institute in Economics p. 63. The Italian measures were of decreasing importance for Hungarian cattle-breeding. The

The decrease in Hungarian cereal exports were also a cause for the ever worsening relations between Italy and Hungary, and in comparison to 1939 they had been reduced by 57.4%.[38] After entering war and losing overseas markets, Italy was chronically short of cereals, so a greater increase in Hungarian agricultural exports was demanded. Nevertheless, at times even 2.7 million quintals of cereals could not be assured except by stopping Italian war material supplies to Hungary. As a result cereal exports to Italy were carried out at the expense of Germany in 1940, because Hungarian cereal exports to Germany remained 63% below the level of 1939.

The Italian-Hungarian negotiations in 1940 were held in a tense atmosphere,[39] and even Mussolini himself made efforts to obtain increased exports of agricultural goods, particularly with regard to cereals, vegetables, and cattle.

Repeatedly inadequate harvests forced the Hungarian government in 1940 to further restrict cereal exports. In comparison with 1940, a 12% decrease in cattle exports was effected, while export increases were only permitted for vegetables, poultry, and eggs. The catastrophic Hungarian harvest of 1942 had very serious consequences, and the Hungarian government had to order the reduction of rations for the population in flour, bread, and beef cattle.[40] But despite the crucial state of public supply, cattle exports reached their

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price of steers for fattening and of cattle were respectively 8% and 23% less in 1938 than in recent years. In order to surmount these difficulties the Hungarian government decided to carry out subsidized purchases. About 1.5 million kgs of frozen meat was stock-piled for sale on foreign markets at a later time. Csöppüs, István: As zarvasmarhaállomány alakulása Magyarországon a második világháboru idöszakában (1938-1944). [Cattle-stock development in Hungary during World War II (1938-1944.] *Proceedings of the Hungarian Museum for Agriculture*, 1973-1974 p. 212.

38

DEVELOPMENT OF PRODUCTION
(in cadastral yoke, q)

	1938	1939	1940	1941	1942	1943	1944
Wheat	9.6	9.5	7.4	8.0	6.7	8.8	8.3
Rye	7.3	7.2	6.3	5.9	5.4	6.9	6.8
Maize	13.1	10.7	11.7	9.2	7.2	7.5	11.6

Csöppüs, István: Növénytermesztés Magyarországon a második világháboru idején (1938-1944). [Arable farming during World War II (1938-1944).] *Agrártörteneti Szemble* 1974. No. 3-4 p. 519.

39 State Archives, Ministry for Agriculture 1941. 54-160156. Hungarian-Italian trade agreement 27 Sept. 1941.

40 After December 1942, among belligerent countries the rations per head were the lowest in Hungary. It consisted of 16 dkg of bread a day and 1.60 kg flour a month.

highest level as a result, causing the destruction of Hungary's breeding stock,[41] while large quantities of maize, potatoes, poultry, and fattened pigs had to be exported as well.[42] Only a 14.2% decrease in cereal exports was registered. The result of this increase in agrarian exports was to eliminate the Hungarian liabilities in 1942 in spite of the collapse of her foreign exchange rate.

Agricultural exports to Italy decreased again in 1943. Cereals fell by 68.5%, maize 44.7%, vegetables 75.9% and cattle 74%. Cattle for export were at this time of poor quality which is why the partners agreed to tinned meat exports of 1.4 thousand tons in 1943. By 1944 Italy had left the war and Hungary's exports to Italy ceased as well.

This survey of Hungarian agricultural exports to Italy between 1925-1943 is not yet complete, since it has been based solely on Hungarian source-material. In order to form a more accurate picture, the Italian sources should be investigated as well.

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[41] No. 52. Report of the Hungarian Research Institute in Economics. p. 80.

[42] The increased export of maize was made available by the Hungarian-German agreement in 1941. But at the same time serious reservation was made by Germany with regard to the reannexation of the Bachka to Hungary, stipulating that 50% of excess of cereals and 60% of maize produced in Bachka were to be exported to Germany, the residue being left for export to Italy. The total excess of sunflower oil was claimed by Germany as well. Peace-Treaty Arrangements (NHSA).