

TARIFFS AND STABILITY IN COMMERCIAL RELATIONS
IN THE POST-WAR PERIOD, WITH SPECIAL REGARD
TO CENTRAL EUROPE, (SUCCESSION STATES)

BY

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INTRODUCTION.

The Great War changed completely the Map of Central Europe. The Austro-Hungarian Empire, which before the War was one of the Great Powers - although its racial structure betrayed the appearance of the "Sick Man" - in regard to its territory, was by far the greatest single economic area in Europe outside Russia. This vast Empire collapsed at the end of the War, and from its ruins emerged new national entities.

New States were called into being, whose first decade of existence was the period of some of the greatest problems that ever confronted Europe. Nevertheless the Cyclone passed, and the succession states are to-day confronted with the task of consolidating their achievements.

The very fact that their birth coincided with the end of the War is sufficient to explain the great obstacles which were encountered in the very first years of their existence.

The Great War dislocated the normal equilibrium of production and consumption, cutting down production and increasing consumption, thus disorganising industrial life as a whole, stimulating some branches of industry and arresting the natural development of other branches.

When the Angel of Peace at last descended among warlike mankind, a complicated problem, that of converting industrial apparatus to production for peace purposes, had to be faced. In the financial field the war disturbance caused a complete upheaval.

The whole economic organisation of Europe was more profoundly shaken during the decade which followed the World War than during any other in all its history.

The post-war financial experiments of Central Europe were unparalleled in the annals of economic history. Increasing expenditure, unbalanced budgets, and adverse balances of trade, characterise the post-war period. Inflation, that evil which leads always and inevitably to a rise in prices, and it is just by this rise in prices that the ultimate object of inflation, namely to place real commodities at the disposal of one who can offer nothing in exchange, can be accomplished, was experienced to an extent undreamed of before the War.

2) The new frontiers increased in the Eastern half of Europe by some 1500 miles, pre-war total being 5130 (unpublished Guardian Commercial 722).

1) The World Economic Conference: Final Report: In 1920 at the time of Bruxelles Conf. only four of the European Countries had succeeded in balancing their budgets.

Closely associated with this inflationist policy were the economic barriers, which especially in Central Europe completely paralysed the economic revival. Not only were tariff walls erected with the aim of increasing the national production, and thus the self-sufficiency of the respective Countries, and this was their main purpose, but also they were directed to improve the balance of trade by checking imports, thus indirectly it was hoped that currency depreciation would be stopped, and what still further aggravated the situation was their constant fluctuation.

Adding to these facts the fact that in the post-war period the number and extent of frontiers were considerably increased, the slow recovery of the so-called succession states can easily be explained. /)

To study the experiments of some of the succession states in the field of "Economic Nationalism" and to analyse the results achieved, together with the League of Nations action in these matters is the main purpose of this Thesis.

Before tracing the post-war economic phenomena, attention will be called to the economic aspects of the Austro-Hungarian Empire, chiefly in those matters which interest us most, namely - tariffs and tariff legislation. Barriers of all kinds prevailing between them. These obstacles to the commercial life of the Empire gradually disappeared, and from 1795, when the Venetian lands were incorporated economically in the Austrian Empire, there existed virtually only a single economic area.

The Austrian Empire for centuries nourished the home industries, but it was however, the "Napoleonic Era" that gave a new impulse to the prohibitive system so that at the opening of the nineteenth century, commercial restrictions were almost accepted as a general rule. Owing to the natural resources of the empire and to this economic policy of exclusion pursued by her rulers, certain industries, such as glass, textile and some other branches of the iron industry by the years 1850 were already important. The foreign commerce of the Empire however, during this period owing to the lack of extensive sea coast and the poor means of transportation, did not greatly develop.

It was however, during this period that the new liberal economic ideas of the "Manchester School" were making their way through the German provinces.

4) The new frontiers increased in the Eastern half of Europe by some 1500 miles, pre-war total being 5130 (Manchester Guardian Commercial 922).

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4359-60, 4361-62, 4363-64, 4365-66, 4367-68, 4369-70, 4371-72, 4373-74, 4375-76, 4377-78, 4379-80, 4381-82, 4383-84, 4385-86, 4387-88, 4389-90, 4391-92, 4393-94, 4395-96, 4397-98, 4399-00, 4401-02, 4403-04, 4405-06, 4407-08, 4409-10, 4411-12, 4413-14, 4415-16, 4417-18, 4419-20, 4421-22, 4423-24, 4425-26, 4427-28, 4429-30, 4431-32, 4433-34, 4435-36, 4437-38, 4439-40, 4441-42, 4443-44, 4445-46, 4447-48, 4449-50, 4451-52, 4453-54, 4455-56, 4457-58, 4459-60, 4461-62, 4463-64, 4465-66, 4467-68, 4469-70, 4471-72, 4473-74, 4475-76, 4477-78, 4479-80, 4481-82, 4483-84, 4485-86, 4487-88, 4489-90, 4491-92, 4493-94, 449

The Evolution of Tariff Policy in the Dual Monarchy.

Before tracing the post-war tariff developments which chiefly concern us, a short historical sketch of the pre-war tariffs seems to be demanded.

The history of the Tariff policy of the Austro-Hungarian Empire during the nineteenth century to the Great War can be conveniently divided into three periods.

- a) High protection and prohibition.
- b) Moderate protection with accentuated free trade tendencies.
- c) Reaction against the liberal ideas.

The first period owes its origin to the dominant economic principles of the seventeenth and eighteenth centuries, namely to the mercantilistic ideas. It may be taken to extend down to about 1850.

The Austrian Empire was a conglomeration of various provinces which, until the second half of the eighteenth century in addition to separate history and tradition, had also separate internal organisation, economic barriers of all kinds prevailing between them. These obstacles to the commercial life of the Empire gradually disappeared, and from 1775, when the Bohemian lands were incorporated economically in the Austrian Empire, there existed virtually only a single economic area.

The Austrian Emperors thus for centuries nourished the home industries, but it was however, the "Napoleonic Era" that gave a new impulse to the prohibitive system so that at the opening of the nineteenth century, commercial restrictions were almost accepted as a general rule. ¹⁾ Owing to the natural resources of the Empire and to this economic policy of exclusion pursued by her rulers, certain industries, such as glass, textile and some other branches of the iron industry by the years 1850 were already important. The foreign Commerce of the Empire however, during this period owing to the lack of extensive sea coast and the poor means of transportation, did not greatly develop.

It was however, during this period that the new liberal economic ideas of the "Manchester School" were making their way through the German Provinces.

1) I. Evans. The Economic aspect of dualism. Slavonic Review.
 Kulekovitch: Magyar vana - politik. . . . 1850 - 67.

The Congress of Vienna in 1815 granted to each of the German states composing the Confederation the right to set up tariffs of their own, but as the impracticability of this policy was proved a few years later, an economic union known as the "Zollverein" came into existence, gradually absorbing all the German states, except Austria. With the formation of this Union, a more liberal policy was inaugurated in Tariff matters under the guidance of Prussia.

Austria at the beginning stood aloof, but as the "Zollverein" became stronger, tariffs received more and more attention from the Government. The multiplicity of tariff barriers revented normal trade expansion and imposed an enormous administrative burden. At the same time, it was realised that it was productive of a great amount of smuggling. Owing however, to the weakness of the various Governments, and to the pressure of industrialists which continuously emphasised the danger of German competition, apart from the appointment of various commissions in order to inquire into tariff questions, up to the middle of the century little or nothing was done for the encouragement of commercial life. At this state in 1848, the Revolution broke out and soon after the end of the consequent Civil War, the social and economic life of the Empire underwent many important changes.

The Free Trade Movement.

Soon after the middle of the century however, the protectionist side began slowly to recede, not only in Austria, but all over the Continent, especially in the Western Countries. The adoption of Free Trade by England was not without influence. After the Revolution of 1878 Hungary, which in fiscal and political matters, enjoyed a certain amount of liberty, was simply incorporated in the Empire. The economic barriers between the two countries being swept away by the Imperial patent of 1850, the free trade area greatly increased, and for the next seventeen years the same political economic and internal administration applied to both Countries. Meanwhile Austria began to reorganise her tariff policy on more liberal lines; this was due partly to the new economic doctrines, and partly to the hope of realising a great economic unit, extending from the Adriatic Sea to the North and Baltic Seas. At this time the German "Zollverein" was an important factor in the economic life of the German states, and its policy was determined especially by Prussia, which acquired the supremacy both in economic as well as political affairs of the "Zollverein", and from 1850 onwards the Prussian Government sought systematically to manipulate both foreign relations and the internal affairs of the "Zollverein" in the interests of free trade. The process of trade liberalisation started by Prussia was soon followed by Austria, and it was one of Austria's ambitions to acquire the hegemony over the "Zollverein".

From the first to the last says R.I. Evans; "the free trade movement was curiously intertwined with national politics, and especially with the rivalry of Prussia and Austria for German leadership. 1) The era of free trade, which culminated in the decade 1860-9 in Prussia was carried on chiefly with the purpose of excluding Austria from the Customs Union. It was realised by Prussia that the highly protectionist Austria would never be able to accept the "Zollverein" terms of admission, and indeed this is what actually happened in the end.

Austria began to remove prohibitive measures in 1851, and in the following decades the level of duties was successively lowered. Commercial treaties were concluded on more liberal lines with other Countries, but the most important however, was the Commercial Agreement with Prussia in 1853, later accepted by the whole "Zollverein". In virtue of this treaty, raw materials were almost completely exempted from duties between the two countries, and on some manufactured articles the rates of duties were considerably lowered. These "sacrifices" on the part of Austria, were chiefly effected in the hope of paving the way for Austria's entry into the "Zollverein", and it was also hoped that some branches of Austria's industries would receive a new impetus; these expectations however, were not realised. 2)

The following table shows the situation of the important export duties from 1851 to 1865. 3)

	Import.	Revenue.	Per cent of	Export.	Revenue.
	Millions of florins.	Millions of florins.	the value of	Millions of florins.	Millions of florins.
			Goods imported.		
1851-5 average	205	21	10.62	221	0.9
1856 - 60 "	258	18	7.-	238	0.5
1861 - 65 "	249	13	5.21	305	0.4

While the imports and exports increased, the revenue gradually diminished, but while in 1851 it amounted to 13.14 per cent of the total import, in 1865 it amounted only to 5.21 per cent.

The Ausgleich.

Two unfortunate wars compelled Austria to seek an agreement with discontented Hungary, and after prolonged negotiations eventually an agreement known as "The 1867 Compromise" was reached.

The trade policy of Austro-Hungary cannot be understood unless the constitutional structure of the Empire is known. Each half of the Empire had its own particular constitution and its own economic policy.

1) Slavonic Review. I. for Evans: The aspects of Economic Dualism.

2) Gregory: A study in tariffs.

3) Kállikovitsh: op. cit.

The underlying idea of 1867 was a military partnership with economic separation.

The agreement of 1867 provided for certain common affairs; namely the Army, the Navy, Foreign affairs and financial matters connected with them; the Unity of Austro-Hungarian Economic policy is declared in so far as it relates to politico-commercial representation abroad.

The agreement also provided for understanding on some other questions:- The affairs of "Common interest" as some writers classified them. These "while not administered in common will nevertheless be treated according to the same principles" and to be decided upon from time to time in common.

With regard to these, the principal of equality was kept in view; this applied to Commercial Policy: more particularly to legislation in tariff matters, legislation connected with such indirect taxes as bear closely upon industrial production; transport systems and railways as they affected the interest of both halves of the Empire. The agreement also determined the proportion in which the two halves should contribute to the common expenditure.

The so-called "affairs of common interest" were not an essential part of the agreement, they were three subject of agreements renewed every ten years. The Customs territory and commercial policy were to be administered by the same principles in both countries by treaties to be concluded every ten years, but there was no joint economic legislation.

The acceptance of the Tariff depended upon an agreement concerning the internal relations of the two states. The tariff matters accordingly were to be agreed upon by the two governments, discussed and agreed upon in the two separate and independent parliaments.)

Owing to lack of industry in Hungary at the time when the agreement was reached, and to the fact that agrarian interests were reconciled by the increased customs area, owing also to the tide of liberal tendencies in Austria in economic matters, the first agreement did not encounter vehement opposition from either of the two sections of the Empire.

What was the economic situation of the two countries at the time of the Compromise?

We have already mentioned that the agreement provided for a proportional distribution of the common expenditure, Hungary's share being 30 per cent. while Austria contributed the rest. This proportion roughly shows the relative financial and economic position of the two countries at that time.

1) For a full discussion see Prof: Philipovits art. in the Economic and C. Eissmann: *Le compromis autricho-hongrois* Journal 1901.

In comparison with Austria, which country was far advanced on the way to industrialisation, Hungary's resources were completely undeveloped. ¹⁾ Industry was almost non-existent, while agriculture was very backward. We must bear in mind that not until the Revolution of 1848 did Hungary emerge from agrarian feudalism, and it was but little affected by industrial progress. As industry in Hungary was practically non-existent at that time of the 1867 Agreement, the country as a whole favoured Free Trade.

The years immediately following the compromise were marked by increasing prosperity, good harvests, and development of Railways and other means of communication. With the extension of the Customs area, the economic life of the Dual Monarchy greatly improved.

The greatest development in Railways, especially with Hungary, occurred after 1867, Austrian and foreign capital being invested.

According to official data there were Railways in the Empire.

Length in milles.	1840	1850	1860	1870
Austria.	89	843	1818	3196
Hungary.	"	138	1004	2159

Hand in hand with the development of the means of communication, more and more land was subjected to cultivation, and a large area of the Monarchy opened to trade.

The years following the Compromise had been marked by a great outburst of industrial and commercial activity by a large and steady increase in export trade both in quantity and value, the average of imports between the years 1871-4 was 576 million Fl. as compared with 205 mill. between the years 1851-5; between 1867 and 1872 the revenue from import duties increased according to official estimates by 94 per cent.

Mr. I. Evans thus describes the achievements of the free trade area ²⁾ "The old type of self-sufficing village country gradually gave place to production for the market and money economy. The transition to a unified economic system with the Habsburg Dominions seems to be taking place under the stimulus of liberal economic doctrines" and Mr. I. Evans states that "it seems to me unquestionable that among all centripetal forces of the Monarchy, the policy of free trade was the most decisive and efficient..... if other causes, both economic and political, had not contracted its work and intensity".

- 2) Slavonic Review. *The Aspects of Economic Dualism.*
- 1) The dissolution of the A.H. Monarchy N. York 1928.

Protectionist Revival.

"Protection was the German tradition and free trade was a plain infraction." ¹⁾ Much the same is true in the case of Austria, where the tariffs were always higher than in Germany. The reasons for the revival of protection were many; financial distress in public finances, the great depression of trade after 1873, the unsuccessful attempts at the conclusion of a single Customs area with Germany, the demands and agitation of the powerful industrial traders, all led to the changed policy of 1878.

It must however, be remembered that the tide of protection was a general one all over the Continent. Within a few years, all the Western powers with the exception of the United Kingdom adopted a more definite protection tariff.

Italy adopted a decidedly protective tariff in 1878, in Russia the Imperial order of 1877 provided for the payment of the Customs duties in gold, a measure by which the duties were practically increased fifty per cent. By 1872 France denounced the so-called "Cobden Treaty" although actually it was renewed that year; but in 1882 it was finally abandoned, and in 1881-2 there was much special French legislation providing for increased protection. By far the most important factor in shaping the future Commercial policy of the Dual Monarchy was Imperial Germany which under the leadership of Bismark in 1879, entered upon an era of definite protectionism, and with slight modifications - during the nineties when the Commercial treaties with the most-favoured-nation clause, relaxed somewhat the rigidity of tariffs -. His policy was followed until the Great War. "For abstract teachings of science in this connection," says Bismark, "I care not a straw. I base my opinion and experience, the experience of our own time". ²⁾ He was under the impression that protectionist countries were prospering, while free trade countries were retrograding.

The fundamental factor in the overthrow of the liberal system all over the Continent was the terrific depression which during the period 1873-83 succeeded the economic expansion of the preceding decade. Depression was at this time general throughout Europe, affecting industry as well as agriculture together with state finances; a period of falling prices brought temporarily an end to that previous outburst of commercial and industrial activities. The industrial circles which never became reconciled to the idea of free trade, notably the iron and cotton manufacturers, were clamouring for Government assistance. The unsuccessful negotiation with Germany for what would virtually have been a Customs Union, and the new economic policy of the German Empire ended the period of free trade. Dominated as ever in tariff matters by her most powerful neighbour Austro-Hungary set up new protective measures from 1878 onwards.

1) I. Dawson: Protection in Germany.

2) Prof. Ogg: Economic development of modern Europe.

Substantial protection was afforded to the iron industry in 1882 and textile industry in 1887, and the agriculturists were also compensated. They succeeded in enforcing in 1881 measures of veterinary police, which had as a consequence the total exclusion of cattle and swine from the neighboring countries - the Rumanian and Serb producers being most affected.

In these circumstances the economic Angleich was renewed again in 1887, this being the last agreement concluded with less difficulty, the following being achieved only by strenuous efforts and political disturbances, and only after the personal intervention of the Emperor.

The last decade of the nineteenth century witnessed a more conciliatory policy in tariff matters. Again Germany led the way, and after abandoning the principle of Tariff autonomy, entered upon a series of Commercial treaties based upon the principle of reciprocal reductions of duties and upon the most-favoured-nation clause. Both in Germany and Austro-Hungary, the new commercial treaties concluded in the first years of the nineties put a stop to the protectionist movement.

The end of this century was marked also by internal struggles, chiefly connected with the economic unity of the Empire. The new agreement, which was to be concluded in 1897, raised bitter opposition in both countries. It was felt that their economic interests were not well protected by the existing policy.

Opposed economic interests.

Austria as a whole favoured the idea of a close co-operation with Hungary, though there were always claims against Hungary which we shall quote as follows:-

- a) That the "quota" burdened Austria more, while Hungary exercised the same rights in regard to the common affairs.
- b) That the regulations as applied to the use of the customs revenue were unjust, since the revenue collected from Hungarian frontiers only amounted to 18 per cent of the total, while actually her share should be in the same proportion as the "quota".
- c) That the policy of the Hungarian Government, which by all means favoured her industry, was not in accordance with the agreement.
- d) That the tariffs afforded too high protection to agrarian products and to cattle, and since Austria is Hungary's largest consumer, her sacrifices were therefore too great.

Hungary.

Never had Hungary, since the first agreement of 1867, been reconciled to the idea of economic unity with Austria. There was a strong party - the Independent National Party - opposed to any economic association with Austria.

Its members always held that the sacrifices imposed upon Hungary by the economic unity were inadequately compensated. Their main arguments were:-

- a) Economic unity is a hindrance to the industrial development of Hungary. High tariffs, they said, enabled the Austrian industrialist to exploit Hungary, while at the same time, they prevented the establishment and development of Hungary's industry, and even ruined it.
- b) The veterinary regulations of Austria were vexatious to the stock raising of Hungary.
- c) That Hungary's interests were insufficiently promoted by the National Bank. They demanded parity instead of the 25 per cent share to which they alone were entitled.

The Tariff policy of Austro-Hungary in the first decade of the present century.

The change in the German tariff policy in 1902, when a more definite protectionist policy was enforced with the chief object of defending agriculture, was not without result in Austro-Hungary.

Prof: Philipovics wrote in 1902 - "the astonishing growth of protectionist tendency in Germany has extinguished within us all the inclination to free trade, and the pure protectionism has got the superiority. The effect of the German Tariff upon us is disagreeable, for it hampers the development of our industrial export, and is so much more felt, as our industrial exports on the whole are still very small. If our neighbour, who brings us 37 per cent of our whole import value and to whom go 49 per cent of our whole exports, gives such an example it is clear that we must follow," and indeed his foresight was soon fully justified. The new tariff adopted by Austria in 1906 was the most protective that the Dual Monarchy ever had. The duties under this new tariff represented 18.9 per cent of the value of goods imported. In the same year came into force the most important treaties of commerce in Central Europe, which were concluded in the spirit of the new tariff, the guiding motive being - protection for agricultural products, and protection for all branches of industry.

1) Prof. Philipovics. Art. in the Economic Journal.

The following table will show the protection afforded:- 17

Iron and Iron products generally protected by a tariff of	31.7
Foodstuffs and agricultural products	26.4
Machinery	17.-
Paper and paper products	14.8
Rubber goods	13.2
Textiles	12.-
Leather goods	7.2
Timber and timber products	7.-

This high protection, afforded to all branches of production of the national economy, had in view the speeding of the process of industrialisation.

The chief factor contributing towards industrialisation was the increase of population, which in Hungary alone amounted in the period of 1890-1900 to 10.3 per cent, and in the next ten years to 8.5 per cent. At the same time, owing to the system of large landed estates which prevailed in the Empire, the opportunities to work did not keep pace with the increase of population. The rural population which could not be absorbed by agriculture, was compelled to find some other lucrative occupations, and this was to be found only in industry. Even so, part of the population was obliged to emigrate.

Political Nationalism played an important part in the shaping of the future economic policy of the Monarchy, and aggravated the economic cleavage between the two halves, and this is true chiefly of Hungary.

It was argued in Hungary that industry not only would absorb the surplus population, but would be a powerful instrument of magyarisation, and here great pecuniary sacrifices were made by the State, which from 1881 to 1914 subsidised 1333 factories, paying in all 48.227 thousand crowns, lending 5.676 thousand crowns without interest and giving 4.985 thousand crowns worth of machinery.

The industry which benefited most was textiles, which represented the largest item in Hungary's import - receiving nearly 50 per cent of the whole amount. According to the official statistics, the textile industry - owing to this strong support - already supplied 20 per cent of the cotton yarns, 48 per cent of the woollen yards, 50 per cent of the linen and flax, and 6 per cent of the silk required by the home demand. She was thus rapidly building up industry side by side with her flour grinding and sugar refineries, which were Hungary's most important industries working for export, her machinery industry, especially the engineering

The following are the figures:-

	Exports.	As percentage of the total.	Imports.	As percentage of the total.	Balance.
Raw materials for the year. In mill of Cr.			In mill of Cr.		
1907	861	41.2	1250	61.-	389
1909	875	37.8	1604	58.4	729
1913	919	33.2	1997	58.6	1078
Semi-manufactured.					
1904	314	15.-	257	12.6	Plus 57
1909	406	17.5	435	15.8	minus 29
1913	528	19.-	499	14.7	plus 29
Finished products.					
1904	914	43.8	540	26.4	plus 374
1909	1037	44.7	707	25.8	" 330
1913	1323	47.8	911	26.7	" 412

We can see from this table that the imports of raw materials were increasing much more rapidly than the exports. The increase of the imports for raw materials was 747 million crowns, while the exports during the same period only increased 57 millions.

With regard to the semi-manufactured and finished products, there was only a slight difference between the imports and exports.

trade balance represented great deficits, so that on the whole the balance of payments was unfavourable. If we take into consideration the balance of payments for the last five years of peace, we shall see that it was concluded with great deficits.

Inward Movements.

Outward Movements.

1800 Mill. Crowns	emigrant remittances.	Val. of merchandise, trade
500 "	tourist checks.	and gold.
400 "	banking profits.	Interest and dividends
200 "	transit traffic.	on foreign debts - 1700
1700 "		minus 500 free foreign
1200 deficit.		investments

Y. G. Parvolski: op. cit.

Economic situation of Austro-Hungary on the Eve of the Great War.

The financial situation of the Empire on the Eve of the Great War was not very satisfactory. Many disastrous wars had compelled the Empire to contract heavy loans in foreign countries. The rapid economic development of the Empire in the second half of the last century, Railway construction etc., absorbed much capital.

A year before the outbreak of the War, in 1913, her foreign obligations accumulated to about 9.760 million Crowns, the greatest part being contracted by Austria, her share being 58.76 million crowns, including the common debt of the Monarchy. Hungary's share was 3.784 million crowns, while the remaining 100 million crowns were accounted for by Bosnia and Herzegovina.

The loans were distributed as follows:-

		(Monarchy.	
	Cr. 2778 mill.	State Debt, including the debt of the	
<u>Austria.</u>	1963	foreign holdings of Railway bonds.	
"	1135	" " in industry Banks	
	<u>5876</u>	and Commerce.	
	Cr. 2273 mill.	State debt and foreign holdings of Rlwys	
<u>Hungary.</u>	1511	foreign holdings in industry Banks and	
	<u>3784</u>	Commerce.	

Bosnia and Herzegovina - 100 million crowns.

On the other hand, the Empire's foreign investments were about 100 mill.crowns, consisting of foreign securities.

We have already mentioned that from 1908 onwards her trade balance represented great deficits, so that on the whole her balance of payments also suffered. If we take into consideration her balance of payments for the last five years of peace, we shall see that it was concluded with great deficits.

<u>Inward Movements.</u>		<u>Outward Movements.</u>	<u>Mill.Cr</u>
1500 mill.Crowns	emigrant remittances.	Bal.of merchandise, trade	
500 "	" tourist trade.	and gold.	2400
450 "	" banking profits.	Interest and dividends	
250 "	" transit traffic.	on foreign debts -	1750
<u>2750</u>		Minus 200 from foreign	
1250 deficits.		investments	1550
			<u>3950</u>

Her more important sources of revenue were by remittances from emigrants whose number, at the outbreak of the war, was yearly about 2000,000.

The next item of importance was the tourist traffic of which Austria received the most part.

Another important item was Banking profits and trade commissions. A large amount of Credit was due to the great Austrian banks; they had wide ramifications in Central Europe, and thus they exercised an extensive influence on the economic development of the Empire. Foreign capital, seeking industrial investments abroad in many cases were willing to share any risk with - and to use the organisation of - intermediaries possessing knowledge of the local conditions. The Viennese Banks were admirably fitted for this role.

Still another item was her transit traffic; her territory lying between Western and Northern Europe and South Eastern Europe was crossed by important trade routes, and above all the Danube, which makes the connection between middle and Eastern Europe an important trade route and source of income.

Her principal deficits in the balance of payment were due to the excess of imports over exports, and to foreign loans to state, and investments in country.

Under this division, half of the land of Hungary was under agriculture. The export of agricultural products decreased considerably. In 1913 the Hungarian statesman - Dr. Wiskerics - said, "We made heavy sacrifices for the chance that our agrarians might export cattle and pigs, and in the course of time it was shown that these exports decreased instead of increasing. It is an undeniable fact that in its effects, our past commercial policy has not benefited agrarians on a large scale. Even the rearing of cattle has suffered under the prohibition of importing live cattle".

High agrarian duties had also an effect upon the export industries of the Empire, since in the last years of peace her export markets were being also but steadily replaced by other countries, chiefly Germany, since the agrarian states such as Rumania and Serbia were unable to sell their products in the Monarchy they tended to make special arrangements with other countries. The German writer - Kohnen - in his "Central Europe" states that "in no country except Bulgaria and Serbia, is Austria-Hungary of more importance industrially than Germany". In the last few years before the war, Austria was practically excluded from the distant and overseas countries.

High duties on agriculture tended to check the more intensive cultivation of land. The Hungarian writer - Dr. Danial - states that ever since 1903 everything was done

General considerations.

The question which is to be answered is, was her high tariff policy justified?

The question is not a simple one, but in so far as her high corn duties were concerned the answer is in the negative. If we take into consideration the distribution of land in that part of the Monarchy only which provided the food supply for the industrialised part, that is Hungary, we shall see that 40 per cent of the land belonged to the great landlords.

According to the official statistics for 1913, the total agricultural and forest area of Hungary (except Croatia) was divided as follows:-

Holdings of under	100	45.6%
" " "100- 1000		14.4%
" " "1000-10000		19.7%
" " over 10000		19.3%

Under this division, half of the land of Hungary belonged to a handful of landlords, who benefited from the high tariffs to the detriment of the mass of the population. In spite of the great protection afforded to agriculture, the export of agricultural products decreased considerably. In 1913 the Hungarian statesman - Dr. Wekerle - said, "We made heavy sacrifices for the chance that our agrarians might export cattle and pigs, and in the course of time it was shown that these exports decreased instead of increasing. It is an undeniable fact that in its effects, our past commercial policy has not benefited agrarians on a large scale. Even the rearing of cattle has suffered under the prohibition of importing live cattle". 1/

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High duties on agriculture tended to check the more intensive cultivation of land, The Hungarian writer - Dr. Daniel 2/ states that ever since 1908 everything was done

1/ The Economist for the year
2/ Slavonic Review. 1928.

to prevent the technical improvements not only being put into practice, but even being discussed in the press, fearing that any improvement would decrease agricultural rents, and in these circumstances the fertility of the land was forty per cent lower than in the neighbouring German Empire.

As regards industry too, the effects of duties did not meet expectations. They had an excellent home market for their products, and held practically a monopoly. On the outside area of the Customs territory, industry remained stagnant; the spirit of enterprise being diminished and discouraged. This is an important fact which shows that the Austrians gradually lost their standing on foreign markets.

Owing to the lack of a general representative system in the parliamentary machine, the majority of the working class were deprived of adequate representation in Parliament, and the interests of the majority of consumers could not be defended. The tariffs were manipulated as to serve the interests of the ruling class, which in Hungary was consisted of a minority of landed proprietors, and in Austria, of the industrial leaders. Thus in conclusion, it may be said that in both countries the only persons to benefit by the Austro-Hungarian economic system were mostly those best able to use them tyrannically - the ruling classes.)

The fact, however, cannot be denied, that through its protectionist system the Austro-Hungarian Monarchy assured the farmers a far better price than the world price. Thus prices in agriculture were not far behind those of industry.

1/2 See M. Mancillesco, The Theory of Protectionism, 1931, where he cites Prof. Fellner according to whom in 1913 the average productivity per head amounted in:

AUSTRIA-490 cr. per annum for agric. & 1683 cr. ind.	(superiority of ind. over agric. = 3.45.
HUNGARY-815 " " " " " " 1291 " " " " " 1.58.	

cf. Russia, etc. where ind. had superiority over agric. of 5 or 6 times.

6 Paul Szende: Les Etats Danubiens et le Federatisme:

"L'ancien empire danubien etait une unite douaniere qui assurait la liberte de la circulation a l'interieur de ses frontieres. Sans doute la politique economique de la monarchie habsbourgeoise n'etait pas ideal du libre exchange, puisque la class feodal hongroise Alliee a la grande industrie autrichienne reussit a introduire un systeme douanier extremement protecteur qui affamait le pays et rendait tributaire de ces deux chasses toute la population.

The Tariff Policy in Rumania.

The economic development of a Country is strictly connected with social, political and natural conditions. In "umania, the first two conditions were adverse to the economic progress of the country, as late as the second half of the last Century. At the beginning of the 19th Century, there were two provinces known as the Danuvian Principalities, namely - Moldavia and Wallachia, each of them ruled by different Princes, having their own special internal organisation. They had however, common Turkish Suberanity.

The country was sparsely populated, cattle rearing being the chief occupation, and secondly, tillage agriculture. Lord Baltimore had stated in 1764 that "in crossing the whole territory of Moldavia from Galatz to Hotin, he had scarcely come across any agricultural land under the plough".

With the Peace of Adrianopole in 1829, a new era began for the Danuvian Principalities, the mouth of the Danube being opened to international neavigation. Although the bulk of their population groaned under seffdom and was deprived of the benefits of its labour by heavy taxation, agriculture received a new impetus. Foreign merchants swarmed everywhere.

Economic unification anticipated the political one, in 1849 an agreement was reached between the two countries, by virtue of which the barriers between them were abolished. Not until 1874 however, did Rumania have an independent tariff policy; this was only achieved with the conclusion of a Commercial Treaty with Austria. As she was under Turkish suzeranity, her economic regime was bound to follow in the main the lines which guided the economic policy of the Ottoman Empire; and it is a well known fact that the Turks up till quite recently were under the regime known as the "Capitulations".

Western ideas were making their way in the Country. The transition from pastoral towards a more advanced state - agriculture - was made during this time. Economic penetration from the West also was being felt by Rumania, since her agricultural products were changed for the industrial products of the West; Great Britain and France contributed in large measure towards her development.

From 1829 onwards, Rumania was, until 1874, under the financial influence of two Great Powers, but with the intensification of American competition in the Grain market, Great Britain showed less and less interest in the Country, and she was replaced first by Austria and later by Germany.

In 1874, Rumania set up a protective tariff system, but the conclusion of a commercial Convention with Austria rendered ineffectual the provisions of the new Tariff. By virtue of that Convention the Rumanian market was to be opened to the industrial products of the neighboring Empire; it was chiefly concluded for political rather than for economic reasons, and the sacrifice as it usually the case weighed more on the small State. The "Neue Presse" of 17th February 1875 contains a special article from which we quote the following:- "If Austria concluded a treaty with Rumania, a vassal state avid for independence and eager to accomplish an international act of self-manifestation, one can only claim that the treaty should be as favourable as possible for Austria, and that the slightest doubt should not exist as to its advantages". The Treaty came into force on 1th June 1876, and by its provisions, a number of important articles were duty free, while on the others not specified, the duties were greatly lowered.

Rumania in exchange obtained the right of exporting her cereals duty free, and her live stock at a minimum tax. It was believed that the treaty would stimulate trade between the two countries, but while the Rumanian market was overcrowded with Austrian products, her exports were checked by various measures of veterinary police adopted in 1881. The cattle exports, which at the time when the treaty came into force amounted to 28 million francs, declined by 1885 to only 6 million francs, and her exported grain was being imported as flour at a much greater price. The Convention instead of stimulating the economic development, ruined completely one of the most important branches of the national economy - cattle rearing - and also the long-established home industries, and rendered impossible all attempts at founding an industry.

The consequences of that Convention could not be better described than in the words of P.S. Aurelian: "Our craftsmen have become mere labourers, the factories have closed down, and all attempts in founding an industry are rendered impossible, because foreign competition is keen. To-day we are dressed from head to foot by our neighbour. They provide us with the smallest thing, and what is worse, they send us flour, alcohol, wine, potatoes and different kinds of fruits. The Convention has succeeded in wiping out completely our old established industrymany a village has relinquished its national costume, and clothes itself

in foreign fripperies. The Town obtains for itself gloves, high heeled shoes and various metal and glass ornaments with which the Rumanian peasant bedecks himself."').

During this period however, Rumania achieved her independence, and with the growing national feeling, the Country had to reverse her economic policy.

The chief features of the autonomous tariff of 1886 were:-

- a) Protection afforded to such branches of home industries as have the possibility to develop normally within the country.
- b) Removal of export duties, thus indirectly promoting the export capacity of the country.
- c) By its stipulations, laid the future commercial policy of the country.

This was the first attempt made to protect home industries, though not very rationally, owing to lack of adequate statistics. In the next year, a still further step was made, since laws were passed by which special favours were granted to national industries.

The Treaty with Austro-Hungary was denounced in 1886, and the negotiations for a new agreement remained fruitless. Austro-Hungary imposed her maximum tariff on Rumanian commodities, and Rumania did the same with respect to Austro-Hungarian products. This tariff war, with deplorable consequences for both countries, lasted five years. The war was mainly due to the opposition of the Hungarians, who were opposed to any favours or reductions granted to an agricultural country.

This event is considered one of the most important in the economic life of the country, since besides giving stimulus to the establishment of home industries, it was responsible for shifting the economic influence of Austro-Hungary in Rumania to Germany, which achieved prominence.

Soon after the Convention with Austro-Hungary, Rumania concluded a series of commercial treaties with other countries, on the basis of the most-favoured-nation clause which all came to a close by 1891.

Negotiations were opened for the conclusion of new treaties, but owing to great difficulties the autonomous tariff was replaced by a general one, which by 1893 became conventional; between 1891-3, by a net-work of treaties, Rumania sought to secure foreign markets for her surplus of agricultural products, and at the same time to secure foreign loans indispensable for the development of the economic organisation of the Country.

*ited by
D. G. Riemenschneider. La Grande Roumaine.*

These were mainly secured in industrial Germany, a country with rapidly expanding industries, and at that time in search of new markets.

During the last two decades of the previous century - which coincided with her first years of existence - her difficulties were great. The period was characterised by incessant foreign borrowings, adverse balances of trade, and state budgets which showed a deficit.

It was realised by the Rumanian statesmen that the political independence of the nation could not be maintained until they could secure economic independence, which was only possible by heavy loans.

"Rumania is borrowing for the purpose of making herself independent" was the way the Rumanian statesmen justified their economic policy, when they opened negotiations for the first Railway loan.

The following figures show Rumania's balance of trade for the years 1880 to 1900. //

	<u>Imports.</u>	<u>Exports.</u>	<u>Balance.</u>
Average for -			
1880 -4	291	215	- 76
1885 -9	312	260	- 52
1890 -4	407	300	-107
1895 -9	344	249	- 95

The deficits were justified by the general economic development of the country, more especially by means of communications, since during these years her Railways more than doubled. In 1880 there were 1374 Km of rails; by 1901 there were 3170 Km. Apart from this, various kinds of machinery had to be imported in large quantities in order to cope with the new requirements of the young industries.

Economic situation of Rumania on the Eve of the Great War.

Rumania, up till the Great War, remained a predominantly agricultural country; it was estimated that only about 10 per cent of the working population were engaged in industrial occupations, and the exports of her industrial products amounted to only 3 per cent of the total.

We must not however, overlook the fact that the first legislation for the fostering of new industries was passed in the eighties of the last century. Under this legislation, the favoured industries were permitted to purchase publicly owned land at a reduced price, were exempt from customs duties on imported basic machinery, were given special freights on state Railways and preferential treatment when purchases were made for the Government, on conditions that they complied with the provisions of the laws: to have a minimum capital of 50,000 francs, and to employ national labour in a certain proportion.

Tariffs also tended to protect the national industries, the last customs laws of 1906, while granting them special terms, provided only a small duty on machinery necessary for factory installations and on raw materials, very heavily taxed the finished products. In the years before the War on the whole protection increased the price of the imported products to about 13 per cent of their value.

It was under the artificial stimulus of these laws that industry began to acquire a more and more important place in the economic life of the Country. In 1913 -the capital invested in industry represented 1083 million francs, and their products amounted to 471 million francs out of a total national production of 1840 million francs of 25 per cent.

The oil industry alone was responsible for 403.16 million francs. The proportion between the foreign and national capital on the Eve of the War was 5.1.

While in the first years of her existence up till 1900 the balance of trade showed continuous deficits, in the first decade of this century her 1650 million francs deficits from 1880 to 1900, were converted into an export surplus of 171 million francs between 1900 and 1913. This was a very important fact, since it greatly contributed to improve her international position as a debtor country.

But even so, in the years immediately preceding the Great War, her export surpluses were too small to cover all foreign obligations. The yearly amount of these foreign payments amounted on the Eve of the Great War to approximately 220 million francs. Only in those years when there was a surplus of 200 million francs on exports was it realized that the country had been able to cover her entire foreign obligations.

Her public finances were also satisfactory; during the last five years of peace, surpluses averaged yearly between 1906-13, to over 50 million francs.

Such, in short, was the tariff policy of Rumania, and her economic position on the Eve of the Great War. Conscious of her natural resources and productive power, she attempted to lay the foundations of those industries which were based primarily upon the products of her soil. Industries based on raw materials produced within the country were rapidly developing. The State made great sacrifices to establish them, and they distributed their products mainly in the country itself. The sugar industry succeeded in producing sufficient for export. The milling and oil industry, whose products greatly contributed to the favourable balance of trade in the country during the first decade of this century and up to the Great War, also did their share in this.

SERBIA.

The small Kingdom of Serbia began its independent life only in the last quarter of the nineteenth century. The country was entirely agricultural in character, raising stock being the chief occupation of its inhabitants. Serbia's whole history - from the time when it achieved its independence up to the outbreak of the World War - is marked by her heroic struggle against determined attempts made by the Austro-Hungarian Monarchy to absorb her economically.

Prior to 1879, when her independence was achieved, her entire economic life was dominated by her powerful Northern neighbour. 1) This situation was the natural consequence of the treaty arrangements made by Turkey and Austro-Hungary. It is easy to understand when it is known that Serbia did not possess any coast line; nor did she have any Railways at that time. According to reliable data, at that period almost 100 per cent of her imports was derived from Austro-Hungary, while 75 per cent of her exports gravitated towards the same Empire.

Serbia's leaders fully realised that dependence on a single Great Empire, eager to absorb them, was most inadvisable.

As soon as the country achieved political independence, she tried to shake off this economic yoke.

Indeed, as soon as the country became independent, she concluded a provisional trade agreement with Great Britain on the basis of the most-favoured-nation clause. This first step towards economic independence did not please her Northern neighbours; Austro-Hungary protested against the agreement. When the protest did not seem to bring the desired results, she took definite steps to compel the smaller Kingdom to satisfy her demands; which, in reality,

1(Stoiamovire Costa: The Commerce of Serbia, a historical

amounted to a claim for special privileges. Serbia struggled in vain against this unfair treatment, and eventually in 1881, she gave way to the Austro-Hungarian demands and undertook, for the future, not to conclude any commercial treaty without the consent of Austro-Hungary. Thus there was practically a Customs Union between the two countries, Austro-Hungary enforcing her position by a repressive use of veterinary inspection against Serbian livestock exports whenever Serbia exhibited any signs of freeing herself from control.

Public opinion in Serbia never became reconciled to this unfair treatment on the part of Austro-Hungary. Protests were continually raised against the treaty; and this movement was supplemented by the attitude of the Foreign Powers, who demanded similar privileges. The second commercial treaty between Serbia and Austro-Hungary concluded in 1893, re-established Serbia on a higher plane, part of the privileges previously granted being withdrawn. The fact however, that Austria continued to afford special treatment to Serbian exports contributed to the diversion of Serbian trade towards Austro-Hungary.

The following table shows the compositions of Serbia's export trade in this period of Austro-Hungarian economic domination: i/

	<u>1881 - 1893.</u>	<u>1894 - 1905.</u>
Percentage of total value.		
Livestock.	42.2	38.2
Annual products	8.8	13.1
Fruit	24.9	18.3
Cereals	19.5	22.6

The above table indicates that during the twenty five years of her independence, the composition of Serbia's export trade did not undergo any substantial change. While in the first period from 1881 to 1893, livestock and annual products accounted for 51 per cent of the total exports, in the next ten years, although a slight decrease occurred in the percentage of exported livestock, the increase in annual products was fairly similar. Animals and their products were therefore responsible for nearly equal percentages in Serbia's exports.

2) Pasvolski G: Economic Nationalism of the Danubian countries.

Neither public opinion nor Serbia's leaders were satisfied with the new treaty of 1893, but owing to the geographical situation, no very important steps could be taken in this direction. In 1905 however, Serbia made a resolute attempt to shake off the economic domination of her neighbour. For this purpose she began negotiations with Bulgaria, for an Economic Union. Negotiations were eventually concluded and a draft agreement for a Customs Union between the two states was signed. The Convention was to come into force as soon as it had been ratified by the two Parliaments of the countries concerned.

The Bulgarian Sabor ratified the Convention at once, and the Serbian Skupstina set to work towards confirmation of it on their side.

Austro-Hungary, with whom negotiations for the conclusion of a new commercial treaty were begun about the same time, broke off her negotiations with Serbia. 1) In view of this action, the proposed Customs Union between the two Countries, Bulgaria and Serbia could not be accomplished, and negotiations with Austro-Hungary were recommenced. These however, did not bring the expected results, and in 1906 a tariff war between the two countries was commenced.

From July 8th 1906, Serbia and Austro-Hungary were economically at war with each other. The maximum rates of existing tariffs were enforced against mutual imports in both countries. By the establishment of autonomous tariffs, the frontiers of each country were virtually closed to the products of the other. The chief sufferer was Serbia.

This state of war between the two countries lasted with but short respite in 1908 up to 1911, when a commercial treaty between them was finally concluded. 2)

1) Paul Szende: *Les Etats Danubiens et Fédéralisme*; accuses the "feodalisme" of this tariff war waged against Serbia.

2) The treaty of 1908, failing ratification could not be put into force. For the sake of better understanding the situation in the Balkans as regards imports for the year 1909, it will be interesting to observe the following table:-

						In millions.
1909 Imports into Rumania. Serbia. Bulgaria. Greece.						Total in £.
from Germany	Lei. 124.6	dinar 28.9	Leva 29.2	dr. 12.3		7.9
Austro-Hungary	85.8	17.8	38.9	17.3		6.7
United Kingdom	57.8	7.6	27.-	31.1		4.7
France	23.7	3.5	11.2	9.6		2.-
Turkey	12.-	4.8	21.1	12.6		2.-
Russia	10.8	2.-	5.8	26.8		1.8
Italy	17.7	2.3	5.5	5.9		1.3
Belgium	11.6	1.6	7.9	2.9		-.9
	368.3	73.5	160.4	137.5		29.5

During this period there was a notable change in the composition of Serbia's export trade viz :-

1906. -1911.

Livestock.	13.- per cent
Annual products.	15.5 " "
Fruit.	17.7 " "
Cereals.	39.7 " "

The exports of her livestock and annual products in five years diminished by more than 50 per cent. This fact is very important; since the cattle breeders of Serbia received a severe blow. The people however, took up the cultivation of cereals, the output of which almost doubled in those five years.

The attitude of Austro-Hungarian Empire did much to arouse the Serbians against it. The national hate of the Serbians was in these five years more augmented than in any period, but it was with the Turks that they had to settle their affairs before commencing any important action against the Austro-Hungarian Empire.

During these five years, Serbia concluded important commercial treaties with other countries, seeking to counter-balance the losses inflicted upon her by Austro-Hungary's attitude. This can plainly be seen from the fact that while in the period from 1881 to 1893, 93 per cent of Serbia's exports found their way into the Austro-Hungarian market, in the following ten years only 84 per cent did so; and during the tariff war, only 30 per cent of Serbia's exports gravitated towards her Northern neighbour. With the displacement in her export trade, there occurred a similar movement in the distribution of her import trade. From 1881 -1893, 60 per cent of Serbia's exports were derived from Austro-Hungary, and in the following ten years 66 per cent; but in the last five years only 35 per cent of her total imports were brought from Austro-Hungary. Germany gained, for the most part, the ground which formerly was held by Austria in Serbia's foreign trade, so that in 1911, about 31 per cent of Serbia's imports came from Germany, and about 29 per cent of her exports went to that country. Textiles and machinery were the most important items of Serbia's exports.

Serbian foreign trade, which in the first decade of her independence, showed deficits in the last years of the nineteenth century and up to the War, showed surpluses. Her foreign trade in the period of 1894 - 1905 slightly over 100 million dinars, by 1910 reached about 200; thus being almost doubled.

State finances in the present century were more or less balanced up till 1911, but from the commencement of the Balkan wars of 1911, her debt incessantly increased throughout a good number of years.

The Division of Europe

The Dual Monarchy which was the principal power in Europe, was divided by a treaty of 1918 into two states known as the Czech and Slovak Republics. The following table shows the division of the population and national income.

	<u>Population</u>	<u>National Income</u>	<u>Percentage of</u>
<u>Austrian Empire.</u>	<u>190,000,000</u>	<u>25,000,000,000</u>	
retained by present day Austria.	76,000,000	5,000,000,000	
ceded to Czechoslovakia	77,000,000	5,000,000,000	
Poland	5,000,000	500,000,000	
Jugoslavia	15,000,000	1,000,000,000	
Italy	22,000,000	1,000,000,000	
Rumania	10,000,000	500,000,000	
<u>Kingdom of Hungary.</u>	<u>337,000,000</u>	<u>25,000,000,000</u>	
retained by present day Hungary.	98,000,000	7,000,000,000	29 per cent
ceded to Rumania.	5,000,000	500,000,000	22 " "
Jugoslavia.	15,000,000	1,000,000,000	plus Bosnia and Herzegovina, 20 " "
Czechoslovakia.	22,000,000	1,000,000,000	77 " "
Austria.	5,000,000	500,000,000	2 " "
Italy.	10,000,000	500,000,000	

PART II.

From this table it may be seen that Austria and Czechoslovakia were the chief beneficiaries of the division of the Dual Monarchy. Poland and Rumania were also beneficiaries of the division of the Dual Monarchy.

The economic resources of the Dual Monarchy were very rich and varied. The principal resources of Austria were its 10 billion acres of land, its 10 billion acres of coal, and its 10 billion acres of iron ore. The principal resources of Hungary were its 10 billion acres of land, its 10 billion acres of coal, and its 10 billion acres of iron ore.

Mineral Resources. The principal mineral resources of Austria were its 10 billion acres of coal, its 10 billion acres of iron ore, and its 10 billion acres of copper ore.

The Austro-Hungarian Empire was very rich in coal, iron and water power. The principal mineral resources of Austria were its 10 billion acres of coal, its 10 billion acres of iron ore, and its 10 billion acres of copper ore.

Handwritten note: The principal mineral resources of Austria were its 10 billion acres of coal, its 10 billion acres of iron ore, and its 10 billion acres of copper ore.

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The Division of Austro-Hungary.

The Dual Monarchy which was the second territorial power in Europe, was divided as a consequence of the War between seven Nations known as the Succession and Cessionary States. The following table shows the divisions of Austro-Hungarian territory, population and national income. 1)

	<u>Sq.Km.</u>	<u>Population.</u> (000's omitted)	<u>Division of</u> <u>National Income.</u>
<u>Austrian Empire.</u>	<u>300.004</u>	<u>28.572</u>	
Retained by present day Austria.	79.580	6.572	
Ceded to Czechoslovakia	77.837	9.843	
" " Poland	80.309	8.352	
" " Yugoslavia	29.256	1.680	
" " Italy	22.584	1.544	
" " Rumania	10.441	800	
<u>Kingdom of Hungary. 2)</u>	<u>327.411</u>	<u>20.886</u>	
Retained by present day Hungary.	92.720	7.946	39 per cent
Ceded to Rumania.	102.787	5.265	22 " "
" " Yugoslavia.	66.497	4.071	plus Bosnia and Herzegoviena. 20 " "
" " Czechoslovakia.	62.937	3.576	17 " "
" " Austria.	5.055	392)	2 " "
" " Italy.	21	44)	

From this table it may be observed that Poland and Czechoslovakia were the chief beneficiaries of the Austrian Empire, and Yugoslavia, Rumania and Czechoslovakia of Hungary. Here are the five chief states created on the territory of the Austro-Hungarian Empire.

The economic resources of the Dual Monarchy were relatively large and varied; the national wealth of Austria was estimated at 87 billion crowns, and that of Hungary at 50 billion crowns, and the pre-war national income of Austria was 14.5 billion crowns, while that of Hungary was 7.5 billion crowns. 3)

Mineral Resources. Coal deposits were centred in Bohemia, Moravia, Silezia, so far as Austria was concerned.

The Austro-Hungarian Empire was comparatively rich in coal, iron and water power; there were also oil fields. The mineral resources however, were located only in certain provinces, being scattered all over the Empire; Austria's share was the largest.

1) Austrian Year Book

2) L. Benda: The Dismemberment of Hungary.

3) Prof. Feltner estimates the national income derived from all branches of economics to 12.5 and 6.7 billion cf. only, for the year 1913. see ^{4th} ^{handwritten} ^{theory of} ^{Proletarianism}

Austria had her coal fields mainly in Bohemia, Moravia and Silesia, while her iron deposits were in Styria, and her oil fields in Galizia. Her industry was located apart from the iron industry mainly in Bohemia, and around the city of Vienna and Gratz, the centre of her metallurgical industry. The textile industry was also located in Bohemia and Vienna.

The deposits of minerals in Austria were far removed from each other and from the waterways, and this fact contributed to the slower development of her industry; once the Styrian smelting works were obliged to transport coal from the Northern provinces at great expense.

Hungary's mineral resources were of more modest size than that of Austria's, neither were her iron and coal deposits very important, located as they were in Northern and South Eastern provinces; it was also in this latter part that her natural gas was found.

Her industry was located around the city of Budapest; this is particularly true of machine construction, the chemical industries and stone: much industrial equipment, chiefly metallurgical, was to be found in Transylvania.

Her textile industry was mostly found in Budapest, and her Northern provinces, which were ceded to Czechoslovakia.

Arable land existed in both countries; though it should be said that Hungary possessed more than Austria, and that it was of better quality. Cattle breeding, mountainous districts, were also available in both countries. Timber resources were very large and scattered on each side of the Dual Monarchy.

At the outbreak of the World War, the tendency of the two halves of the Monarchy was towards separated economic units, and this tendency was accentuated in the first years of the present century with Hungary's advance along the path of industrialisation. ¹⁾ It has even been stated that some parts of Hungary were not less fit for the development of industry, but their handicap lay in the fact that in the Eastern and Southern parts of the Empire, not until 1890, did industrial activity start, whereas by that time the Bohemian provinces were already advanced in industrialisation. Thus as time went on, the "motifs" which were at the base of the economic interdependence of the two halves were losing in intensity, the agrarian regions becoming more and more independent. In the last twenty years before the War, their mutual trade was comparatively greater in 1914 than in 1890, although by far the largest part of their trade was that which they carried on with each other. At the outbreak of the War, 72 per cent of Hungary's exports went to Austria, and 71.5 per cent of her imports were derived from Austria.

¹⁾ By 1906, economic boycott movements were arranged by the two countries against each other. (Tulip movement)

The Austro-Hungarian economic unit was not a natural one, but was the creation of the Austrian Emperors, emerging from the Imperial patent of 1850. From the international point of view, a greater economic unit meant also a greater stability in international economic relations, and a greater security for their inhabitants, since their products could be placed more easily within the territories of the Monarchy which had a high tariff wall at its frontiers. Thus external competition was made more difficult. In the case of commercial agreements too, their united interests were able to secure more advantages than would have been if they had been separated, though to conciliate the various interests was not always an easy task for her leaders.

It is difficult to state whether being separated they could have achieved greater economic development and could have increased their national income more rapidly. It is certain that Hungary would have advanced more rapidly in the way of industrialisation than otherwise, though it is difficult to determine at what price, since she had neither capital nor very extensive natural resources. The Hungarian Sociologist Jaszi Oskar - after stating the general idea that the more two economic territories are specialised in different branches of production, thus supplementing each other, the more advantageous is, for them, free trade, and the more injurious the tariffs walls - came to the conclusion that "the natural complexion of the various regions was not so conspicuous as to render their economic union particularly advantageous, or their severance particularly detrimental", and perhaps this is the true conclusion. "

Industries were also affected by the high taxation which was laid upon them during the war, and could not maintain their former position without the intervention of the state.

Still another factor contributing to the high costs is industry, and labour remuneration - wages - have an element, which costs almost the cost of production contributed in large measure to increase the cost of production. During the war, either for moral or political reasons, the governments which 1) By 1906, economic boycott movements were started by the two countries against each other (Tulip Movement). 2) Supplier, raw materials, and almost all branches of industry in the country.

g) Jaszi Oskar: The dissolution of the Austro-Hungarian Empire.

After the war, and only after the war, were the working men reluctant to sanction any decrease in their remuneration, but they were always on the defensive side. The great numbers of strikes and lockouts in the years immediately following the war are but a picture of this attitude. With the conclusion of 1919, competition was made possible.

The post-war European tariff upheaval and its causes.

The spirit of nationalism which prevailed during the war continued long after the hostilities had ceased. The armed struggle of the battlefields was transferred to the economic arena. Here the armoury at the disposal of the States was more varied. The fight however, differed; war is not waged only against former enemies but against former allies also. Every nation maintained the restrictions imposed upon economic life during the war. Every country showed an increasing determination to maintain its natural resources against the supposed exploitation by other nations, and to make itself economically independent.

The dislocation brought about by the war and the consequent economic crisis only accentuated this state of mind. First, remedies for the evils were sought in Governmental action. To mitigate the exhaustion to which the war had reduced them, nations found themselves compelled to close their frontiers as far as the basic foodstuffs and necessities of life were concerned.

Industrial equipment increased during the war almost in every Country - though some industries were adversely affected, industrial interests benefited. Much capital was invested in new industries as well as in those concerned with the manufacture of articles necessary to the army.

When hostilities ceased, some of the new industries, unable to adapt themselves to the new economic order, found themselves in great financial difficulties; hence their clamour for protection. The crisis of peace, as some writers put it, greatly affected the economic life of the nations.

Industries were also affected by the high taxation which was laid upon them during the war, and could not maintain their former position without the intervention of the state.

Still another factor contributing to the high costs in industry, was labour remuneration - wages - have as an element, which comes within the cost of production contributed in large measure to increase the cost of production. During the war, either for social or political reasons, the Governments which were the head quarters of national economy, since they conducted all the operations in connection with food supplies, raw materials, and almost all branches of industry in the country, agreed to improve the standard of the working man to a level which in time of years would have been achieved much more slowly. After the war, not only were the working men reluctant to sanction any decrease in their remuneration, but they were always on the offensive side. The great numbers of strikes and lockouts in the years immediately following the War are but a picture of this situation. With the conclusion of Peace, competition was made possible

and those countries whose industries were not in a position to fight foreign competition in the home market, had to a certain degree, to resort to protectionism. This is more true of those countries whose industries were younger, and also of those who, like Italy, were deprived of certain raw materials, making their position still more difficult.

Agriculture too has been affected by the war. In many countries much capital was invested in Agriculture during the war, where the pressure for food was so great - this is more true of Central Powers - and with the coming peace and in the years after, their situation has been aggravated by foreign competition; hence agriculturists in many countries raised their voice for greater protection.

Currency depreciation was among the most important factors making for economic nationalism. Many duties have been raised as a protection against the influx of goods from countries with a depreciating currency. The introduction of protective measures in Great Britain by the "Safeguarding of Industries Act" of 1921, and the adoption in Switzerland, Spain and Czechoslovakia and many other countries of a series of measures to protect the domestic market are but a proof of how greatly their economic policy has been influenced by the monetary instability prevailing in Europe. In this connection experience showed that even the most rapid changes in tariffs were not able to keep pace with the changes caused by monetary instability.

The expiration of treaties of commerce concluded before the war has also its share in the raising of tariffs. Bargaining tariffs were elaborated in almost every country for purposes of negotiations. In practice the negotiations did not bring the expected results; adequate modification could not be obtained, and tariffs became higher than before. The countries which followed a Customs' policy based on a general tariff and a system of commercial agreements, were mainly the Mid-European states.

Budgetary considerations also played an important role in shaping the economic policies of the countries. Those whose budgets were unbalanced during the years immediately following the war - and they were many - resorted to the adoption of tariffs to meet their needs. The policy has not been a very happy one, since it only encouraged smuggling.

Such measures were commonly resorted to in every one of the European states. Fear of further deterioration in the value of their national currency compelled them to restrict foreign exchange, and to regulate imports.

Economic independence became the national creed of the European states. They did everything in their power to obtain it, since it had been realized that political independence

Special causes making for economic nationalism in the Succession states.

Nationalism spirit in the Succession states has been fostered by political reasons. Neither of the two groups of countries, the defeated and the victors, showed any great desire to attenuate this excessive national spirit. The old spirit of nationalism which prevailed in Hungary before the war has been adopted by all the states. The defeated countries, more especially Hungary, fosters this spirit in the hope that a change from existing peace treaties may thus ultimately be achieved. On the other hand, the new countries which came into being in virtue of the principle of nationality, had strong reasons for organising themselves as economic and political powers, and so they strove to achieve economic independence.

Each of the Succession states was compelled to adjust its economic policy to the newly created situation. They had to build up a new national economic organisation. The defeated countries had to adjust their economic life to the present territory and resources. The others had to unify the economic policy of the various regions which were incorporated with them.

Shortage of raw material aggravated the situation. The Governments took various measures to ensure food supplies to their populations; hence a vigorous system of licences and prohibitions was adopted. The situation was grave even before the end of the war, when not only did the Governments, as in the case of Hungary, prohibit the export of food-stuffs to Austria, with whom she formed a Customs Union, but even the local authorities did everything in their power to impede the exit of raw materials from province to province. The German Emperor was asked, on the part of Austria, to use all his prestige to determine the Hungarians to send their food supplies. Fear of having their products exported "en masse" due to their depreciated currency, stimulated the protectionist movement. "In effect, nothing served more the protectionist movement" says Prof: Hantos, "than the fear of exportation "en masse", due to the depreciated currency of the exporting country".

Currency depreciation and monetary instability - which in the Succession states has been so accentuated - compelled them to raise their tariffs in the hope of stopping the depreciation. Such measures were commonly enforced in every one of the Succession states. Fear of further deterioration in the value of their national currency compelled them to control foreign exchanges, and to regulate imports.

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dence can be solidly established only on an independent economic organisation. The economic life of the new provinces had an altogether different orientation. The economic domination of Vienna, and to a certain extent, of Budapest, has been felt in every sphere of economic activity. The great Vienne and Budapest Banks had affiliations everywhere in the new provinces. They also controlled every industrial branch of importance, hence the policy of isolation was thought better to serve the purposes of breaking down these connections. Every economic activity in the new provinces has been controlled only by nations - or their representatives - of those people who formerly were the rulers. Exception should be made for the Czechs, who in Austria, already had succeeded in sharing this control. The new "national bourgeoisie" not only saw with sympathy the Governmental measures, but they did all in their powers to make as difficult as possible the connections of the new territories with their former sources of capital. The trend of "Nationalisation" and its fever infected all the Succession states. That this has not always been the best means, has been observed lately, when the new states found themselves in the face of new financial trouble. Laws were made with a view to ensuring the predominance of the national elements in the control of Banks, industries, and other economic activities. Czechoslovakia compelled the various enterprises, whose activities were carried on in its territories, to move their managerial seat within the border of their state; and some other states did the same.

This kind of policy applied particularly in the field of banking. Economic self-sufficiency has been regarded by every state as the best national policy, and as such werecognise in the industrial countries of the former Empire, great efforts on the part of the state to encourage agriculture, while in the agricultural countries, a deliberately shaped economic policy with a purpose of assisting the erection of industry. Austria and Czechoslovakia developed their agriculture, while Rumania, Hungary and Jugoslavia increased their industrial equipment. The process of inflation rendered considerable assistance to these activities, by stimulating production and encouraging the spirit of enterprise everywhere. In Central Europe, industry was particularly prosperous in the years immediately following the end of the war.

In this inflationist period, the greater part of Jugoslavian industries were formed. Hungary, Poland and Rumania increased considerably their industrial equipment; even such industrial states as Germany and Austria experienced this phenomenon.

This industrial fever ceased only half way through 1923, when more normal conditions prevailed. Inflation provoked in Central Europe "an hypertrophic industrielle" of such magnitude that the disproportion between the producing capacity and the purchasing power became the essential factors in the economic situation of Central Europe. To resume however, the results of the inflationist policy, it could be stated in crisis of capital, crisis of sale, and crisis of credit.

In this period of economic activity, with a view to protecting the industries, tariffs were increased everywhere, as the clamour for protection became general.

Industrial undertakings, the old plants and new industries, were completely revived, and new raw materials were everywhere scarce. The whole organization of transport was destroyed. The situation was made still worse by the fact that new national currencies, which before the war enjoyed great stability, in the post-war period not only lost much of its value, but became unstable. Not only was the material destruction of the various territories great, but also the psychic" says the British Consul. Unification of the various territories was the first task of the Governments. The new territories belonged to three various states namely - Hungary, Austria and Czechoslovakia, and their economic life had been developed accordingly with the interests of the country in which formerly they were an organic part. Their trade routes were directed towards those parts of the former Empire which their economic life gravitated. The network of the transport system was consequently shattered, and their industrial connections were exclusively directed towards the great cities of Vienna and Budapest.

In such circumstances, the task of the Governments was not an easy one, to bring together geographical units which for centuries were part of separate economic and financial organisms.

The economic structure of the country differed substantially from that of the present Kingdom. The Old Kingdom was essentially and predominantly an agricultural country. It is true that under the protectionist policy of the Old Kingdom, carried on during a period of thirty years before the war, some industries did develop, and these which were based exclusively on the natural resources of the country, and which found their raw materials within the national

The Economic situation of Rumania after the Great War.

Rumania emerged from the World War greatly increased in territory and population, but at the same time with her economic and financial life completely disorganised. The greater part of the Old Kingdom had been under enemy occupation for nearly two years, and was left after the War in a condition of utter exhaustion and devastation. Her chief industrial under-takings, the oil fields and the oil industry, were completely ruined, and food and raw materials were very scarce. The whole organisation of transport was destroyed. The situation was made still worse by the fact that her national currency, which before the War enjoyed great stability, in the post-war period not only lost much of its value, but became unstable. "Not only was the material destruction of the various territories great, but also the psychic" says the British Consul. Unification of the various territories was the first task of her Governments. The new territories belonged to three various states namely - Hungary, Austria and Russia, and their economic life has been developed accordingly with the interests of the country of which formerly they were an organic part. Their trade routes were directed towards those parts of the former Empires whither their economic life gravitated. The network of the transport system was constructed accordingly, and their financial connections were exclusively directed towards the great cities of Vienna and Budapest.

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boundaries, made important progress and contributed to the export trade of the country; such were the oil industry, timber and milling industry. The metallurgical industry, which may be said to be the corner stone of any sound industrial development, could not attain any importance before the war, since iron and coal, which are the two important basic elements were lacking. To a certain extent this handicap has been surmounted since the war, as there are both iron and coal within the new boundaries of the Greater Rumania.

The chief obstacles in the way of a sound economic development immediately after the war were the depreciation of national currency, budget deficits, disorganisation of the means of transportation, production and trade.

This chaotic situation continued up to 1923. when some of the most vital questions in connection with the country's economic life were in part resolved. The state finances were balanced, and the issue of paper money actually stopped; the notes which continued to be put into circulation were used in productive activities, and had no depreciating influence on the exchange rate of the national currency.

Inflation, even in the years immediately following the war, did not play such an important part in Rumania as it did in the neighboring countries. It is true that during the years 1920 and 1921, the notes in circulation rose from 4.431 million Lei to 13.752 millions, but out of these 7.025 million Lei were issued for the exchange of crowns and roubles, which still circulated in the new territories. "The increase in the notes in circulation" says Prof: Hantos, "in the years after the war, should not be attributed to the causes of inflation, but merely to the considerable enlargement of the country to which large and rich Hungarian and Russian territories were annexed." "

Rumania, except for short periods, resisted the inflationist temptations. The heavy fall in the value of national currency is attributed, by the same authority, to the economic policy of the Governments, rather than to the inflation. Nevertheless, such short periods as there were in the inflationist policy, exerted an influence on the value of Lei, as it quickened its depreciation, and in the first four years, the Government did resort to a certain extent, to the printing press as the most convenient measure of supplying revenue to the state.

The Rumanian Government did make a great mistake, partly due to circumstances, in that it unduly delayed the monetary unification, and though its lack of foresight, rendered possible the introduction of worthless paper from the neighboring states.

1) Hantos Zs. La monnaie en Europe Centrale.
2) Overseas Trade Dept.,

Economic report on Rumania. The boundaries of the state were not yet fixed, due to the war with Hungary.

Before the operation of unification began, it was estimated that 4.3 00 million Lei would be sufficient to convert the crown, roubles and the bank notes issued by the German authorities, whereas it has been necessary of late to put into circulation nearly 9000 million Lei.

The effects of the War were severely felt by Rumania in the first years after it. With her population deprived of the very necessities of life - foodstuffs and of clothing articles - she had to rely in great measure upon imports even for her bread. It was estimated that the Germans and their Allies, from December 1st 1916 until April 4th 1918, deprived the country of 1.8 million tons of cereals, fodder and oil bearing seeds, and they also took away the whole harvest of 1918. Apart from this, they carried away whatever agricultural machinery was worth while.

What made the task of reconstruction still more difficult was the destruction of her transport system. The Director of the Rumanian Railways estimates the number of locomotives in a condition to be used at 80 for the whole country in 1920.

The Post-War Tariff Policy of Rumania.

The Export Policy.

Export duties were inaugurated during the period of neutrality in 1915. They were first applied only to maize and flour of maize and to beans, but later they became general, and include almost every article of importance. They were regarded as a means of keeping down domestic prices at a time when the scarcity of foodstuffs was felt; as then the Central Powers towards which almost the whole Rumanian exports gravitated during the period of neutrality were ready to pay very high prices.

Had it not been for these duties, the internal market would have been deprived of cheap foodstuffs. The Finance Minister, in submitting the Bill to Parliament in his "exposé des motifs" stated that the poor population living mainly in the poorest part of the country in the mountainous region, could not pay for its food supplies. Hence the Government must help them, and offer them supplies at a lower price. The difference between the market price and the price which the poor pay for their supplies, had to be borne by the Government, and the export duties were to be imposed for this reason.

Export duties moreover accorded with modern principles of taxation; that any enrichment without cause is unjustified, and society has the right to intervene to correct this injustice. That the prices had greatly increased could be seen from the fact that while Rumania's exports decreased from 1913 to 1915 by 7.-42 per cent in quantity, at the same time their value diminished only by 15 per cent.

There was still another reason for their introduction. Rumanian exports gravitated towards the Central Powers in the time of neutrality; but as the Germans had various financial organisations within the country, they succeeded in acquiring cereals without paying for them in gold. They were however, paid for by the affiliations of the great German Banks, in Rumanian currency obtained from the National Bank by the discounting of bills, and so by internal credit.

This law passed on the 10th of March 1915, was abrogated by the new law of 6th October 1920, when the Government was authorised to create export taxes.

"By royal decree, given on the advice of the Minister of Finance and the approval of the Council of Ministers, the Government is authorised to create exportation taxes, which it may increase or diminish or suppress as it thinks fit in the same way. These taxes may not exceed 50 per cent in value of the goods imported or exported; likewise the Government is authorised to increase, diminish or establish importation taxes over and above or besides the Customs tariffs".

In this case the Parliament was deprived of its powers, which were now invested in the Executive power, that is, in the Members of Government of the day. The basis of this law is the conception that export duties should vary in accordance with the fluctuations of world prices, if they are to attain the ends for which they were primarily exacted. This means making it possible for the state to participate in profits without hindering production. The rigidity of the legislative form is not very favourable when quick measures have to be gone through changing circumstances, and when prices may vary from day to day; such was the case in the period of inflation in Central Europe.

Throughout the war, the measures which were adopted in 1915 during the period of neutrality with regard to exports, remained in force, and some others were added; but owing to the peculiar situation in which the country was placed after her entry into the war, the measures had no important consequence. Not only was there nothing to be exported, but during the war, the Rumanian Army and population suffered greatly through the shortage of foodstuffs.

When the hostilities ceased, and the country was finally liberated from enemy occupation, the available supplies of the country were not sufficient to cover its requirements; in the year 1919, there were exported only Lei 2.4 millions worth of cereals, and imported foodstuffs amounted to Lei 95.9 millions; and this, in a country which before the war was, except for Russia, the chief supplier of cereals of Europe.

In 1913, the old Kingdom of Rumania exported cereals and their bye-products to the value of Lei 448.4 millions.

Faced with such a situation, the Government took various measures to make export more difficult as early as 1919, but they were only applied to the old Kingdom. A general system to cover the whole was put into practice only in 1920.

The exports of all products, with the exception of oil and wood, was prohibited as early as January 1919, and the exportation of these products could only be carried out if certain conditions were fulfilled; i.e. under cover of Government licences, which could be obtained if the exporter undertook the obligation -

- a) to hand over to the Government the foreign bills obtained, in exchange for an equivalent amount of paper Cr.
- b) to pay to the Government an export duty and a commission of 2 per cent.

Further modifications were brought in 1930, when an export Commission was established; it had to fix the export duty to be paid to the Government. In November 1920, a law was passed empowering the Government to make from time to time the necessary regulations as to the categories of goods which could be exported.

The law of November provides for four groups of exports.

- a) products completely prohibited from export (raw materials, foodstuffs).
- b) products which could be exported on the basis of "Compensation" arrangements made by the Rumanian Government with other Governments (cereals, flour, silver, gold).
- c) products allowed for export only with special licences, only after internal consumption had been satisfied.
- d) products allowed for export without any licence, only upon payment of export duty.

This export system fully operated up to the middle of 1922, when the Government began to modify it with a view to move towards the normalisation of economic life; it began to relinquish its control and in the following year, the Export Commission was abolished. So also were the export licences, when more normal economic conditions were established. But the system of export duties, by virtue of the laws mentioned of October 1920 is still in force; though it has gradually been reducing ever since 1923. The number of prohibited articles was consequently diminishing; more and more articles were placed on the free list as the years went on, and to-day this system is extinct.

How great a part in supplying revenue to the state these export duties played will be shown in the following table:- //

	<u>Year.</u>	<u>Maximum rate per wagon.</u>	<u>Thousands Lei.</u> <u>The rate in 1930.</u>
Wheat.	1924.	45.	1.-
Maise.	1922.	30.	1.4
Barley.	1922.	20.	-
Oats.	1922.	20.	1.4
Wheat flower.	1923.	35.	-
Beans.	1922.	20.	4.-
Light Petrol.	1920.	18.	0.40
Heavy Petrol.	1920.	6.	0.24
Lamp Oil.	1921.	2.	0.24
Residuous Timber.	1923.	0.150	0.20
Fire Wood.	1923.	0.500	0.20
Oxen(Per head).	1922.	10	0.40
Pigs " "	1924.	1.5	0.07

As can be seen from the above mentioned figures, the export duties have been almost entirely abolished, or are of no great importance except in two or three cases. However, since they have been established they have brought the following revenue to the state, as compared with the general state receipts:-

	<u>Years.</u>	<u>Export Taxes.</u>	<u>Total state revenue</u> <u>(in millions of Lei).</u>
	1919	4.8 million	
	1920	434.9 "	
	1921	556.3 "	
	1922	1511.5 "	
1) Central	1923	4981.9 "	15.574
Government	1924	5112.5 "	22.418
2) There	1925	3908.7 "	24.812
3) Local	1926	3681.1 "	29.933
	1927	2303.1 "	37.983
	1928	739.- "	32.767
4) Local	1929	861.-	33.738

The export taxes furnished in 1923, when they were at their highest, 31 per cent of the total revenue of the state. Since then they have continuously decreased, and in 1927 were but 6 per cent, while in the last two years they fell to 2.29 and 2.59 respectively. Complaints against them were made from the very beginning, but the need for revenue always prevailed. 1/ Now, ten years after the conclusion of hostilities and the resumption of commercial activity, it is a question which can hardly be answered. Were they a blessing for the country or misfortune? There seems to be a general consensus of opinion that they were injurious to the national economy. Of course they responded to the policy of revalorisation which tended to keep prices low in the country, below those of the world. They accomplished in this way a special duty: that of defending the interests of the great mass of population, the urban population, but by so doing they injured the mass of producers which to-day finds itself greatly in debt. There is no official estimate of this situation, but various estimators put them at over 30 thousand Million Lei. It is obvious that agriculture was in debt even before the War, but during the first years after the War, when prices were high, the agriculturists were tempted to borrow for the purpose of increasing their arable land. As a result of the higher rate of interest which prevailed in the country on account of the scarcity of capital, and the fact that during the few years when agricultural prices were relatively higher in the world market than the prices of industrial articles, they did not realise their entire share of profit - they incurred heavy debts and later were unable to pay even the interest on the capital.

Rumanian agriculture after the War, as a result of the agrarian reform, was more than ever in a state to be encouraged and helped by means of credit facilities, to increase its output and improve the quality of its products, to keep pace and take advantage of modern agricultural developments. As a result of the breaking up of the great estates in the prevailing circumstances and also in part of her economic policy which tended more to favour industry, agriculture, except for the increase in the extent of area sown, made but very little progress. 2/

In the following table will be shown the imports of agricultural machinery and of implements in a fixed period before and after the War.

-
- 1) Central Union of agrarian Syndicates protested to the Government in 1921.
 - 2) There are several other causes:
 - a) Lack of capital, lack of organisation of agricultural credit, which is most essential for the smallholder who lacks capital for his work.
 - b) Lack of technical instruction for the peasant.

Import of Agricultural Implements and Machines. (000's omitted) (1)

<u>Before the War.</u>			<u>After the War.</u>		
Year.	Quantity in Kgs.	Value in Gold Lei.	Year.	Quantity in Kgs.	Value in Gold Lei. Internal production.
1885	507	652	1919	3.076	687
1890	1.136	1.136	1920	2.610	861
1895	721	721	1921	3.325	1.173 1.360
1900	967	967	1922	3.742	1.598 1.176
1905	1.283	749	1923	3.119	3.376 2.420
1910	12.272	11.753	1924	2.140	2.464 3.449
			1925	3.841	4.631 3.407
			1926	5.681	10.306 3.645

From this table it can be clearly seen that in the post-war period, in the period of reconstruction, when the need for new machinery and implements was great, they were but slowly replaced. If one takes into consideration the increased size of the country, the replacement appears more inadequate to the requirements. The slow reorganisation is partly due to lack of financial resources on the part of the peasants, whose benefits, instead of augmenting and improving their material state, increased the States revenues. It should also be attributed to the breaking up of the large estates, since it is more difficult to employ machinery to-day on a very limited area, though in Rumania the agrarian reform did not alter too much the system of production. Production is on the whole, carried on by the same men with the same means as before. This is more true of the Old Kingdom.

The real fiscal contribution which agriculture has made towards the needs of the state has not been the tax on agricultural land, but the export duties. They ranged from 15.71 per cent of the total value of agricultural products exported in 1919, to 26.87 per cent in 1923, and 14.26 per cent in 1926, (except for the year 1921, when they were but 8.31 per cent, the motive being that the system of "contingents" prevailed in that year.

David Mitrony: Land and Peasant in Rumania.

Justification of the prohibitive system.

In the first years immediately succeeding the war the prohibitive system can be justified from the social point of view, and the Governments always tried to emphasise these facts. It should be remembered that in all Central Europe, there was a shortage of raw materials and foodstuffs, not only during the war but in the years after it. Faced with the possibility of having their populations brought to the verge of starvation the Governments made increasing use of this power, which was granted to them by their Parliaments.

With the purpose of retaining within the Country the foodstuffs and other products necessary to home consumption, they elaborated an intricate system of licences and contingents; and in some cases they resorted to prohibitive measures. Prices for such articles as foodstuffs were very high outside their boundaries of national territory, and the fear that such articles might be sold abroad made them very cautious.

State finances were in a very bad situation, as was the whole financial machinery of the country; and the Governments tried by these measures to keep down the domestic prices, thus preventing a rise in the cost of living. Though these measures were unable to keep down prices, they did bring corruption in the ranks of the State Officials in those days, and the moral effect was disastrous.

From the economic point of view the Governments tried to justify their retention, and they maintained that the export duties retained within the country the raw materials necessary to the home industry and to the national defence. The restriction of exports facilitated the process of unification, diverting the trade of the newly acquired territories from their old markets to the newly created channels within the country. They also brought important revenue to the state.

This economic policy pursued by the State had however, a bad influence on the economic and financial situation of the country. There was a total absence of continuity in the economic policy pursued by the State. There were issued various decrees in contradiction to each other; and thus they ruined important well-established firms, and gave an impulse to speculative operations. Export, instead of being the result of free professional activity, determined by the conditions and situation of the market, became an annex to public administration. The export taxes on agricultural products had a very bad effect on agriculture, since they retarded its recovery at a time when, as a result of the land reform, a general decrease in agricultural output was observed. When competition from the overseas countries was

very acute, the duty of the Government should have been to regain, maintain and extend the outlets for the Rumanian cereals.

The fluctuation in the change of the national currency - which in 1926, when it reached its lowest level, was 15 centimes for 100 Lei at Zurich in May - and its diminished power traced by some writers to the economic policy and to the unfavourable balance of payments which resulted from it.

This economic policy, which aimed to keep down and reduce the domestic prices of foodstuffs, was only artificially maintained by the maximum prices imposed by the Governments, and by the elaborated system of export prohibitions.

This should have been achieved by natural means; which were to increase productivity, and hence exports. The natural consequence of the policy adopted by the Governments has been to widen the disparity between the internal purchasing power of the Leu and its external buying power. Internal prices were not at the same level, and in the same proportion as world prices; hence the fluctuations.

Only the establishment of a favourable balance of payments - which could only be achieved by increased exports - could have rendered the stability of Leu possible. There were also seasonable fluctuations due to the agrarian characteristics of the country, and it should be remembered that the fall in the purchasing power of the national currency is to be attributed to the unification of the various monetary systems within the country.

Distribution of land in the various provinces

Size of estates in 1925

Up to 1/2 ha.

Wallachia	4.186	52.5 per cent.
Moldavia	4.608	53.7
Bessarabia	2.337	55.3
Bukovina	403	75.7

As can be seen from the above table, the largest number of smallholders is in Old Rumania (Wallachia and Moldavia), and those belonging to Russia were scattered in Bessarabia and Bukovina-Hungary.

Source: Simola - Lecture delivered at Bucharest

Agriculture in the post-war period.

Agriculture in Rumania is the national industry "par excellence"; she is still predominantly an agricultural country, though her national wealth provides a basis for industrialisation. "To agriculture we owe to the greatest extent, the possibility of organising and consolidating the Old Kingdom - greater Rumania's nucleus - and we have to base on it the future foundation of the prosperity of our state". //

The agrarian character of the country has suffered changes since the War. The productivity of the land and exportation of grain have diminished on account of the changes of frontiers, as a consequence of the World War, agrarian reform and the economic policy followed by the Government in the post-war period. The population has greatly increased, and arable land has not increased in the same proportions. To-day, home consumption of grain constitutes a larger percentage of production than was the case in the Old Kingdom in the pre-war days. The breaking up of the large estates naturally affected the productive capacity of the country; this holds good chiefly for the years immediately following the War.

No.1) In the following table, an attempt has been made to give a general picture of the way in which land was distributed before and after the War. It is clear that Rumania to-day is a country of smallholders, and on the way in which they will be able to make use of the land allocated to them, depends the entire economic organisation of the country and her future development.

Distribution of land before the Agrarian Reform.

Size of Estates (000's omitted).

Up to 100 Ha.

Over 100 Ha.

Old Kingdom.	4.180	52.5 per cent.	3.810	47.5 per cent.
Transylvania.	4.689	63.- " "	2.751	37.- " "
Bessarabia.	2.337	55.9 " "	1.844	44.1 " "
Bucovina.	405	78.- " "	115	22.- " "

As can be seen from the above table, the landed property was stronger in Old Rumania than in the new Provinces, and in those belonging to Russia more powerful than in those belonging to Austro-Hungary.

4 J. J. J. J. J. : Lecture delivered in Bucharest.

Distribution of land after the agrarian reform.

	Size of estates (000's omitted).				Over 100 Ha.			
	Up to 100 Ha.							
Old Kingdom.	7.293	91.5	per cent.		69.7	8.5	per cent	
Transylvania.	6.288	84.5	" "		1.153	15.5	" "	
Bessarabia.	3.829	93.9	" "		352	6.1	" "	
Bucovina.	478	92.-	" "		42	8.-	" "	

Situation to-day of arable land.

Small estates	17.889	88.8	per cent.
Large	" 2.275	11.2	" "

For the present it should be noted that Rumania's needs for foodstuffs are greater than before the War, since large parts of the new territories do not have the same essential agricultural character as the Old Kingdom had. Transylvania is a mountainous country where there is scarcely anything to be exported, even in the best years, as far as cereals are concerned, and the pursuits of its population are more varied since some branches of industry are already well established.

Greater Rumania offers for cultivation a lesser percentage than did the Old Kingdom. It affords greater opportunities for cattle breeding and dairy products, as the area of meadow lands and pastures has increased within the territory. This fact too, contributed to the lessening of productivity, and hence to that of exports; a fact which is often overlooked.

Industrial plants which before the War were very insignificant, to-day are more and more appreciated, and year by year the area sown with these plants is increasing.

The change in the methods of cultivation is appreciated by the Rumanian Agricultural experts, and encouraged, since the variety of the plants and cereals gives Rumania's agriculture a better base. The effects of the atmospheric conditions do not have the same consequences as has been in the case of the Old Kingdom, when in bad years the whole economic life of the country has been affected. Variety of crops diminishes the bad consequences of the bad years. Production in Rumania suffered greatly since the War; there were a variety of causes which affected it: Land Reform has been looked upon as the principal contributing factor to this decrease, more especially to the decrease in the yield per Ha. Some attributed its effects to the War and disturbances brought about by it; some others still attribute the fact to the economic policy of the Government, disorganisation of transport, currency instability etc.,

47.

It is very difficult to blame only a single factor, since it is very difficult, if not impossible, to ascertain the exact extent which each single factor contributed in its diminution.

There are writers who saw in the agrarian reform the salvation of the national economy. "The Agrarian Reform" says Prof. Jonescu Sisesti, "has saved our agrarian production, and has protected us against the irremediable collapse of our national economy..... only by offering the peasant the land for which he was craving has he been induced to make an effort beyond man's normal powers".

The same point of view is held by the Director of the Statistical Institution - Dr. Therdrescu - when he points out that "beginning in 1921 and till 1925, the sowed areas have progressed continually, so that the agrarian reform not only has not been an impediment to agriculturist progress, but has been a powerful stimulant on the country in favour of agriculture". M. Paswolsky, in reviewing the situation of the Danubian states, admits that "with the change of the landed property, there was bound to be a very marked decrease in agricultural production" though he points out that in the case of Czechoslovakia, the effects of land reform were beneficial to agricultural production, and Dr. Mitranj asserts that in Croatia, where intensive land reform was carried out, the agricultural output increased after the agrarian reform, while in the old Kingdom of Serbia, where there had been no reform, the output diminished.

The decrease showed may be attributed to in the first case, War destruction; neither Croatia nor Czechoslovakia have been invaded by enemies, and their agricultural industry remained intact, if not improved during the war, when the Central powers did all they could to extract as much as possible from the land. The situation was reversed in Rumania and Serbia.

The system of transportation did not undergo the same destruction as it underwent in the Old Kingdoms of Rumania and Serbia; hence the cultivators stood a better chance of marketing their products. In the case of Czechoslovakia, the cultivation was stimulated by tariffs, since this country is an importer of cereals, while in the case of Croatia, the immediate contiguity with Austria and Italy, made the sale of the products more advantageous. Neither Rumania nor the Old Kingdom of Serbia were offered such opportunities as regards the market.

The loss of men and animals was perhaps more felt in those countries where the devastation wrought by the War was so complete that replacement of the destroyed materials, machinery and implements were difficult and often impossible. What made the situation still more difficult in Rumania, was the economic policy pursued by its Governments, by imposing heavy taxes on exports, which adversely affected the initiative of the peasant.

Self interest is the base of all human activity, and when there was no remuneration for his efforts, the peasant did not care too much for improving conditions under which he cultivated. He turned his attention to the cultivation of such cereals as seemed to offer the greatest reward for his efforts. Prof: Jonescu Sisesti states - "The exported quantities could have been larger. in spite of the present lowered production, if the outflow of the available surplus towards exports was stimulated by means of appropriate measures. Proof that we are not doing this may be found in the fact that our internal consumption, reckoned per head, appears to be high, although our population is frugal and the rations given to our animals is very reduced in relation to the manner in which animals are fed elsewhere. We do not consume - we waste". There is much support for his statement, since it is undoubted that had the Government pursued another agrarian policy, Rumania would not have lost her outlets in such a measure; the proximity of her exporting markets and cheap labour would have rendered competition more possible, and in many cases her position would have been improved.

The export taxes, though for a time they fulfilled social necessities for the urban population, ought to have been repealed as soon as the circumstances which enforced their imposition had passed. Instead, the Governments clung to their perpetuation, not realising that by diminishing the purchasing power of the great bulk of the population within the country, they made it more difficult for industry and other branches of the national economy to develop.

Rumanian industry is as yet far from being able to compete with foreign industry. The chief market will remain for a long period the internal one, where the great bulk of consumers are the peasants. Only when there is a flourishing situation for agriculture can the industry extend its productive capacity. In vain are all the efforts to protect and to create a home industry if the consuming capacity of the country is diminished. On the other hand, a well established industry affords great possibilities for the development of agriculture; this is mostly true - in the case of those countries where the discrepancy between the two branches of national economy is not so great. Apart from the Governmental measures which imposed an unfair contribution on the rural population, there were other causes which rendered exports still more difficult from the agricultural countries of Europe.

The agrarian protectionism of the industrial states, which tended to restore the pre-war balance, and to make them less dependent on foreign supplies, gave new impulse to agricultural development in Western Europe. The overseas countries, which during the War were the "mistresses" of Europe - and due to them in large measure the Great War was won by the Allies - were very reluctant to retire from the European market; hence they lowered the price, and for a time assured rentability to their producers

by their solid organizations and with state help. The situation however, is getting worse and worse for the agricultural countries, since the steady depreciation of their crops renders the position of the producers very hard.

Industrial production has been suffering from the same depression.

It would be unfair to say that the situation is hopeless in this situation, but the prospects are not very bright. By various measures which have been taken by the government, the situation has been improved.

With a view to diminishing the effects of depression, the government has taken various measures which have been successful in some cases. The government has also taken measures to improve the position of the producers, and has also taken measures to improve the position of the consumers.

The so called "Banks" were created when the government decided to carry out its policy. These banks were created to help the producers and the consumers. The government has also taken measures to improve the position of the producers, and has also taken measures to improve the position of the consumers. The government has also taken measures to improve the position of the producers, and has also taken measures to improve the position of the consumers.

After this transitional period when the government had been distributing the land to the producers, it was decided that the government should take measures to improve the position of the producers. The government has also taken measures to improve the position of the producers, and has also taken measures to improve the position of the consumers.

There was also created for a time a system of "premiums" which were given to the producers to encourage them to produce more. The government has also taken measures to improve the position of the producers, and has also taken measures to improve the position of the consumers.

Within the system of distribution of land, the government has also taken measures to improve the position of the producers, and has also taken measures to improve the position of the consumers.

Measures taken for the stimulation of Agriculture.

Though agriculture is by far the most important branch of the national economy, it did not enjoy the same paternal treatment from the Rumanian Governments as did industry.

It would be unfair to say that nothing has been done in this direction, but the benefits which were derived by agriculture were more than balanced by the taxes imposed upon it.

With a view to diminishing the effects of agrarian reform, and the profound disturbance which was created on the occasion of the breaking up of the large estates, it was decided to create associations of peasants, which should take over the land from the landowner.

The so called "Obstii" were created when the land reforms were carried out. These peasant associations which were but transitory in character, acted as intermediaries between the smallholder and the state which allotted to them the expropriated land. This is more true in the case of the Old Kingdom. In a time of shortage of live stock etc., they were useful organisations; since by co-operation between their members, they helped largely to minimise the ruinous effects which otherwise would have fallen on agriculture, and even more on the productive capacity. At the same time a central resettlement office was created, and among its first duties was to devise and impose means for better cultivation and for the marketing of the agricultural products of the peasant.

After this transitory period when the land had been distributed to its new owners, it was discovered that the peasants favoured the cultivation of other cereals rather than that of wheat, and where the Government realized the effects which the export of wheat had on the trade balance of the country, it set up a system of district committees which had to assist them in working out a general plan to be followed by the peasants in the distribution of crops. It had also to ensure that the peasants should carry out the provisions of these plans.

There was also created for a time a system of "premiums" which were devised to encourage the efforts of the best cultivators. The Government fixed a certain weight per hectolitre of cereals, and any producer whose crops passed that limit was entitled to the premium.

Neither the systems of district committees nor

the fixed "premiums" brought the desired results - the fixed weight was so high that it was impossible for the small landowner to attain it with the agricultural implements at their disposal. The Government devised new plans; by 1925 they decided to create agricultural chambers which were to be formed by the agriculturists themselves.

These associations proved to be of greater value than other systems or organisations. Their useful work in helping the Central Minister to devise plans for the benefit of agriculture, making useful suggestions for its improvement, is more and more appreciated by the producers and the Government itself.

A bill for the classification of cereals was passed in 1928, with a view to their "standardisation". This important problem had been under consideration for many years, but owing to many other capital problems which were pressing for solution, the Government did not take the matter seriously to heart. Only where it had been realised that not only had the outlets been lost for agri-Rumanian cereals, but that they could not be sold at the world prices on account of their poor quality, did the Government consider seriously the question. This marked deterioration in quality was certainly one of the effects of the agrarian reform.

The Bill was intended to "standardise" the most important cereals which are designed for export. Its first aim was to improve the commercial value of the Rumanian cereals in foreign markets by offering a better quality to the importing markets. It also was meant to induce the producers to greater discrimination in the selection of crops and to more careful cultivation. The Bill also provided for the formation of companies, under Government auspices, in which various public bodies and other institutions connected with agriculture should take part.

Warehouses were to be established in ports, and in some other important centres, and by the liberation of deposits, receipts and warrants, small proprietors will be greatly encouraged.

Such were the provisions of this important law which could not be carried into practice chiefly on account of lack of capital. The problem has been taken up again by the present Government, which is making strenuous efforts to improve the situation in agriculture.

Lately in 1929, a Central Co-operative Bank was established, so as to improve agricultural co-operation by the various credit facilities which are granted to the cultivators. A Central Co-operative Office for imports and exports has also been established, whose main task is to

facilitate the exports by the establishment of direct contact between the internal and external market; and it also helps in supplying seed and agricultural machinery to the farmers.

The problem of agricultural credits, which is at present the most important, has been tackled by the present National Peasant Government with much authority and good intentions. It also formed an important desideratum of the new agrarian movement of South and South Eastern European countries.

It is not a problem which can be solved only on a national basis, since it involves the co-operation of foreign capital. Whatever efforts have been made in this direction in Rumania have not been crowned with much success as can be seen from the following facts.

All the institutions supplying credits to agriculture up to 1930 relied on rediscounts at the National Bank, and all the rediscounts given on long term arrangements only reach a quarter of the pre-war amount.

Rumanian agriculture is at present greatly in debt and is in great need of investments and financial help. There is large scope for improvement in agriculture; not only can the area under cultivation be increased, but also much more the output per hect: as can be seen from the following table. The countries of Western Europe produce at present three times as much as the output of the Rumanian farmer.

Average yield in quintals. //

		<u>Wheat.</u>	<u>Barley.</u>	<u>Oats.</u>
<u>Belgium.</u>	1911-14	25.3	27.5	23.8
<u>Rumania</u>	1911-14	11.5	10.5	9.5
"	1923-27	8.7	7.1	7.2

A system of irrigation would guard against drought in the years when there is not enough rainfall, and the excess of moisture in some parts of the country could be rendered possible by a system of drainage. By this scheme a network of drainage canals would bring into cultivation large areas of land at present sterile in the lower plains, which are to-day inundated by the Danube.

The Government should take into consideration not only the credit side of the agrarian problem, but should study and consider whether, in the face of the present situation, it would be desirable and necessary to enforce a system of large scale agriculture, instead of the present small

1) Review published by the Institute of agriculture, Rome.

scale system.

Having in view the efforts made in this direction by the North Eastern neighbour, and by the overseas countries, the Government should prepare the way for the establishment of a large scale production on small peasant holdings.

The problem is very difficult, but perhaps it is the only one which can satisfactorily solve the present situation. The advantages which are connected with the large scale production should not be overlooked."

At a time when production was very scarce the state took upon itself the task to feed its population, and to provide it with the articles of primary necessity. The state took upon itself the right to buy and sell certain articles such as food and clothing.

Social reasons imposed this task upon the state, and it made heavy sacrifices to provide the population with the most essential articles. In those years the state finances were very bad, deficits being the rule; some reasons for this situation should be sought in the fact that the state sold usually at a loss. The experience of the state - treasury was not a happy one, since it gave way to abuses and mis-handlings of the public money. From 1919 to 1921, the state issued Treasury Bills amounting to 2100 million Gold Lst. Their abundance is the factor which contributed to their depreciation. On the other hand, the orders placed by the state abroad for railways and rolling stock being provided in haste, were not of the best quality.

The first decree of 10th July 1919 divided the goods prohibited to importation into two classes: luxury articles and articles of less necessity were specified on separate

- y The essential pre-requisite is the establishment of a National Commission of Enquiry, whose attributes should be to investigate
- a) which parts of the country are most suitable for large scale farming and which for the system of small-holdings.
 - b) to determine which agricultural commodity should be given preference in this or that region. This should also apply to the breeding of livestock.

character, but were simply emergency measures in the face of an adverse balance of trade.

The Import Tariff Policy of Rumania after the Great War.

The exhaustion of the country's resources in the years immediately following the conclusion of peace, rendered the policy - in regard to imports - not so rigid and complicated as that of exports. This can easily be understood when even articles of food - in a purely agricultural country - had to be imported.

For three years following the conclusion of peace, the imports rose apace while exports increased more slowly. The period of reconstruction necessarily involved large imports at a time when the country had scarcely anything to export. While from 1919 to 1921 inclusive the imports accounted for 22.8 thousand million Lei, the exports only increased to 11.8 thousand million Lei.

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The first decree of 10th July 1919 divided the goods prohibited to importation into two classes; luxury articles and articles of less necessity were specified on separate lists. While the import of the first articles was completely prohibited for importation, the second class could be imported with a special authorisation granted by the Minister of Commerce. These lists were further modified in subsequent years; the articles completely prohibited to imports were considerably increased in the following years.

These measures were on no account of a protectionist character, but were simply emergency measures in the face of an adverse balance of trade.

73. 55.

The experience of the state as a trader however, did much to mitigate the consequences of the war.

Imports poured into the country where, as elsewhere, there were many war profiteers; the imports in many cases were introduced to bring into the country articles of luxury, which brought them more profit. The Government, in order to defend the value of Leu, began to restrict the importation of such articles.

The World crisis of 1920 contributed also to the increased imports of Rumania in these years. The foreign industrialist was willing to find new openings for his products even in those countries where the value of the national currency was not very stable. The Rumanian imports, at a time when foreign Exchange Bills were difficult to obtain in the country, since exports were almost non-existent, began to pay their imports in Lei, either by remitting these effective to the foreign exporter, or, as was more often the case, depositing Lei in the Banks; these, at a very high margin, procured the foreign Bills for the importers.

The fluctuations in the value of Leu however, increased, and the foreign exporter was willing to grant credit facilities to the importer to induce him to buy his products.

While the value of Leu fluctuated around 0.50 and 0.60 francs in 1919, at the beginning of 1920 it suddenly fell to 0.28 francs, only to rise again by July of that year to 0.37 francs. The fall in the value being looked upon as unnatural, credit facilities were sought by the importers, in the hope that with the rise in the value of Leu, they would be able to secure great advantages. The exporters, for the reasons mentioned above, granted credits as long as two years, some of them on conditions that the importers agreed to deposit within the Banks part of the sum due to them on their accounts.

The fall in the value of the national currency rendered the protection afforded by the tariff insufficient, and by a resolution of the Council of Ministers dated April 20th 1930, the duties of 1906, on which the tariff policy rested, were increased five-fold; and in the same year the executive power was authorised by the Parliament to make changes in the existing tariff rates merely by royal decrees.

In 1921, as the imports were increasing enormously, the Government took necessary steps to regulate them, in order to check the fall in the value of Leu. This tariff law was also intended to increase the state revenue, and to stimulate activity in the national industry. The new tariff, even in the opinion of its designers was not meant to last

for a long period. 1/ Many duties were increased; the industries which found their natural resources within the country benefited most. This tariff was the first comprehensive attempt to assure protection to the new industries acquired in the new territories. Payments of duties in Gold began to be required in the case of articles of luxury.

In the same year, in order to protect the value of Lei, the deposits, which were with the Banks, made by the importers, but belonging to the foreign exporters, were blocked. This was but a transitory measure to safeguard the national currency at a time when the foreign exporters, fearing further depreciation, were willing to throw into the market, their deposits. The amount of these deposits can be reckoned at about 5000 million Lei.

These emergency measures however, whatever their immediate results, greatly damaged Rumanian credit abroad. The consequences of these measures could only be appreciated later, when High Finance was but slow to contribute to the consolidation of the country. They ceased in 1924. The business man, dealing with Rumania, was unable, owing to such measures, to carry on his transactions with certainty. The foreign exporters, as well as the foreign financier lacked confidence in Rumanian trade.

Further decline in the power of the national currency compelled the Government to take the necessary steps in order to make the duties effective. A new tariff was devised and enforced in 1924. The characteristics of the new tariff are:-

- a) It increases the importation taxes all round and provides that they shall be paid in Gold. The relation between Gold and Paper was to be fixed at 30 Lei (paper) to 1 Gold Unity.
- b) To afford protection to the newly acquired industries - Metallurgy, Textiles, Timber, Paper industries, duties were generally raised.

The national industries were divided into three classes as follows:-

- 1) Those which satisfy entirely the needs of the

- 1) N. Titulescu: "Exposé des motifs". See also Nomtorial official 30th 1931.
- 2) Projet du budget general d l'Etat pour l'exercice de 1925.

country such as the agricultural, oil and timber industries. These were less protected, the efforts of the Government being directed towards procuring outlets for them.

2) Those industries which have their raw material in the country and satisfy entirely, or in part, the home consumption, but which are not yet sufficiently established, were more highly protected; such as cotton, wool, tobacco, glass, cement, and paper industries.

3) Those industries which were unable to develop within the country in such a way as to satisfy all the internal consumption. These industries, however, being of first rate importance for national defence and supplementary industries to the others already mentioned, such as the metallurgical and building trades, should enjoy special privileges. Protection in these cases, though increased, should not be too high, but the industries should have the assurance that their products could be disposed of to public or national enterprises.

This tariff is perhaps the first in the post-war period which is more national, and offers much stability by providing for the payment of duties in gold. It came into force in August 1924.

The new tariff of 1924 was rendered necessary by the fall in the value of the national currency. It should be mentioned that the fall of the Leu was more than doubled from 1921 to 1924; while it stood at 1/17 in 1921 of its gold value, it fell to 1/40 in 1924.

It can be observed that the new measure adopted in 1924, while increasing the state revenues, kept almost stationary the imports for the next years, there being but slight increases in quantities; though their value fluctuated to a large extent. Revision of the tariff policy was made in 1926, when duties were again raised for important groups, such as textiles and metallurgy. ✓

The payment of duties in gold provided by the tariff of 1924 was advantageous in that it permitted a quicker adaptation of duties to the price of imported articles, and in this respect it offers greater elasticity than the co-efficient system. It is of paramount importance to commercial relations to offer stability; since, as it was shown at the World Economic Conference, it is not the height of tariffs that most hampers the trade and commercial relations, but "their constant instability".

1) Royal decree: Nomtoriel official. 24th March 1926.

The value of gold being stable, or more stable compared with the value of paper money, it is necessarily more advantageous for a country to have its duties levied on a gold basis in a time of currency fluctuation.

The Tariff Law of 1927.

The continuous rise in the value of the national currency gave way before various complaints on the part of industrialists, since competition was being felt more seriously. In the internal market, they could not fight foreign competition under circumstances at that time. In 1926, the Lei fell to such an extent that it reached the lowest point; the rate of exchange being 1.350 Lei to the £. Since then, there has been a continuous increase in its value, so that in 1927 it was virtually stabilised in fact, the rate of exchange being around 820 - 825 Lei to the £.

It has been observed by the Government that the existing tariff in many cases does not grant to industries even the protection which they enjoyed before the War, though the burdens which industry bears through social obligations imposed in the period after the War, were greater.

High rates of interest render this situation still more difficult; hence the need for greater protection. "Dumping" practised by various countries, stimulated manufacturers to demand the revision of tariffs in an upward direction. The new commercial agreements which were to be concluded also made a revision desirable.

Many of these evils were of course exploited by those interested, and the Government was thus induced to take into consideration a revision of the tariffs with the view of increasing their rates. The need for assisting agriculture by lowering certain duties in connection with agricultural machinery and implements was also taken into consideration, and the hope of attracting foreign capital into the country.

After many months of elaboration, the tariff was completely revised and replaced by a new law.

On 1927, the Government adopted a new tariff which, on the whole, raised the level of the prevailing duties, though there were also some decreases; namely in respect to textiles and metallurgy; but because these duties were only of short duration - about two years - it need not necessarily be described in detail.

- a) It tended to a better organisation of tariffs, by providing 1208 articles instead of 854; specialisation in short.

- b) It provided, apart from maximum and minimum rates, also for a special section; that of a "Tariff reserve" in which certain articles were provided, and the rates of duties on this article could be changed at any time by the Government on the advice of the Minister of Finance. It was intended to defend these articles against "dumping".
- c) The surtaxes were henceforward abolished, but the tariff stipulated certain taxes on luxury goods, and these were made permanent by their inclusion in the new tariff.

The following were the principles of the new law. //

- 1) An import duty of from 1 to 10 per cent of the value of the raw materials imported for industrial use was imposed. The degree of variability was in accordance with the necessity of the product.
- 2) 10 to 20 per cent was levied on manufactured goods imported for completion in Rumania; this mainly concerned tools and accessories needed for industrial purposes.
- 3) 20 to 30 per cent of manufactured articles and building products.
- 4) Over 30 per cent was granted to such industries as were essential to the prosperity and peace of the country, to textiles and the metallurgy industry, and also to those articles of luxury which were to be henceforward free to import.

According to the Zollhohe and the Warenwerte Table 1, a greater amount of protection was afforded to the textile group; in some cases duties were as high as 300 per cent. Paper products bear a duty of 49.6 per cent, glass and glassware 46.8 per cent, iron and iron products 39.6 per cent.

The new tariff raised the existing duties to the highest level that the country had ever experienced. A fair comparison between the new rates of duties and those in existence is rendered impossible, as there has been a complete change, not only in the commodity designations, but also in the basis of tax assessment. The fact remains that the new tariff puts the duties much higher. Thus livestock was subjected to a duty of fourteen times the old one. Animal products were fixed twice as high., but articles of leather, wool and silk were

charged as high as 60 times the old rates; paper, a 140 times, motor vehicles, considered in the luxury class, have also been hard hit; tyres and rubber articles did not escape an increase of 100 per cent.

Such were the general features of the tariff law of 1927, but this high percentage of rates does not give the correct protection, since the various articles which compose it are very largely specialised. The new duties were fixed in gold, but they were payable in paper; the co-efficient fixed at three monthly intervals by the Ministry of Finance. Under the new tariff this co-efficient was fixed at 40 Lei to one gold Lei; and by this measure the duties were augmented by 25 per cent.

The tariff of 1927 however was the result of lengthy investigations into the existing industrial conditions; it was the most comprehensive tariff that Rumania has ever had, since it provided for a better classification. Instead of 854 articles, it included 1208 articles, bringing also an innovation by providing for the "tariff reserve". It had in view to afford protection mainly to those branches of the national economy whose process of industrialisation is higher than the average of the total industries of the country.

Up till 1927, the fluctuations in the rate of exchange - of the national currency were very accentuated, attaining in 1926 the lowest level, reaching in that year 1/45th of its gold value. Both the improvement in the value of Lei as its depreciation, have been disturbing factors in Rumania's commercial relations. With the depreciation, exports to Rumania suffered, while on the other hand, the home producers and home industries, working for export, such as timber, grain, and oil industries, had suffered great losses.

The present Tariff policy of Rumania.

"First a sound money system and then a definite tariff"; this was the general feeling in Rumania, and this seems to have been proved by the development of events. It was evident that so long as the country had not got its currency stabilised on a legal basis, there could be neither tariff nor a system of long term tariff treaties.

With the entry into power of the National Peasant Party in 1928, the long desired stabilisation was at last achieved; thus Rumania, in the year 1929; once more took her place in the international economic life with a sound currency. The new orientation of the economic policy of Rumania was in accordance with the programme of the National Peasant Party. It put a stop to that policy of "industrialisation" followed since the War more or less by every Government which succeeded

to power, and pointed towards a new orientation in economic policy, a change from "industrialism to agrarianism" as Mr. Madgearn defined it.

It has been realised by the present Government that the trend towards "industrialisation" and "nationalisation" followed by the former Governments, was not very favourable towards the country as a whole. The mining laws of 1924 were devised to secure the maximum exploitation of mineral resources, but at the same time they did not provide adequate means to achieve this result. The legislators of 1924 were "guided by sentiment instead of realities". Indeed, they imagined that the country could reach a stage of industrial development merely by her resources. The laws of 1924 laid stress on the fact that fuel is a determining element in the industrial development of nations, and as such, its acquisition on the part of foreign financial concerns, would be dangerous.

The Laws aimed at the formation of Rumanian mining companies with nominal shares, in which Rumanian capital should have 60 per cent of the total, and the management should be entirely Rumanian. Thus, in a period when foreign capital was most needed for the country's reconstruction, foreign enterprise was excluded. At the same time, while foreign capital was lacking, every internal resource was diverted towards carrying out this "nationalisation". Scarcity of capital brought high rates of interest, and in this way other branches of the national economy were neglected.

Rumania's new economic policy was devised to bring about a better co-operation with foreign capital, and to stimulate the development of those branches of national economy within the country which are more suited for it. The new tariff of 1929 was but a link in the series of Laws devised to set up a new orientation in Rumania's economic policy.

There are various motives suggested by the Minister in his "exposition de motifs".

- 1) Motives of general character.
- 2) Motives of special character.

1) it has been the desire of the Government to set up the new economic policy of the country in accordance with the recommendations of the Geneva Conference of 1927, which declared that "the time has come to put an end to the increase in tariffs, and to move in the opposite direction".

a) Stability. One of the most important obstacles in the way of reconstruction in Europe was certainly the instability of tariffs, caused chiefly by the fluctuations in exchanges.

- 1) World Economic Conference: Final Report.

Now that the national currency was legally stabilised, and placed on a firm basis, it was thought necessary to establish a definite tariff, which should serve as a real base for the new policy - that of tariff treaties - since up to this time there had been very little progress in this direction. The underlying idea was that only a stable tariff can assure the real progress of national economy in the country.

b) Economic conception. The change of the existing tariff which had a very accentuated trend towards "industrialisation" was not only desirable but necessary. The party in power as a representative primarily of the agrarians thought that the industrial policy pursued during the last ten years, was not adequate to the country's requirements, and above all, was detrimental to the agriculturists.

"To go on making to-day, attempts at industrialisation would be simply to squander the resources and potentialities of the nation and retard that prosperity to which it has so just a claim. We cannot have a solid industrial development, and efforts towards one will always be fruitless, for we do not possess the essential raw materials; we have no surplus of labour; we have no accumulated capital; for our internal market is feeble and we are not in a position to conquer foreign outlets to our trade ". "

Rumania can now make heavy sacrifices only for two classes of industries; those which use as material, agricultural produce, and those which concern national defence.

Perhaps in these phrases, we have the whole economic truth and the root of the trouble. Indeed, for those two industries for which the heavy sacrifices were made, for textiles and metallurgy, we do possess only a small amount of their raw materials; we have neither cotton nor sufficient iron in the country; and we have no capital, a very important point, since in the absence of capital in the market, usury developed, and as much as 40 per cent was paid to obtain capital. It is very obvious that neither industry nor agriculture can satisfactorily develop without cheap capital. The national industries having to pay so much interest and at the same time to support the increased taxation and social assurances, always strove for a higher and higher protection in order to ensure their market.

c) Lack of elasticity of the existing tariffs, since it provided for minimum and maximum duties which could not be modified through commercial connections, not even in regard to those articles which could not be produced at home, also enhanced the difficulty of negotiating tariff treaties.

- 1) V. Madgearu: New Ec. Policy of Rumania and L'Exposé de motifs". of the Finance Minister.
- 2) I. Raducanu: Argus.

St.

The new tariff introduced in Parliament in July 1929, was the first tariff to be passed by the Parliament in the post-war period; this strengthened its stability. It provided for two classes of goods.

- a) Certain articles which can be produced within the country; for these a minimum rate of duty is provided, and this cannot be decreased or changed by conventions.
- b) All the others enter into the general tariff, and their rate can be reduced or changed by mutual arrangements; this class embraced the majority of articles.

The tariff was also conceived as a means of assuring the collection of revenue, by making the duties reasonable; since hitherto a great amount of smuggling had been carried on.

The new tariff greatly reduced the duties on many articles, namely, textiles and agricultural machinery, which contribute most to Rumanian imports.

Principles which guided the establishment of the new tariff.

Protection of national industry granting priority to agriculture, and the maintenance, re-conquest and extension of the outlets for the country's exports; these were the broad lines on which the tariff policy and the whole economic programme of the National Peasant Party were established.

1) Priority to agriculture, in every case, and wherever possible, was assured. This was made possible by -

- a) protection to agricultural products and those industries which have to depend on agriculture.
- b) reduction of duties in the case of agricultural machinery and instruments, and that of raw materials necessary to agriculture.
- c) reduction of duties on those articles which are commonly consumed by the agricultural population.

It was estimated that on the average the new tariff provided for a reduction of about 30 per cent in the existing tariff rates.

Such were, in brief, the provisions of the new tariff of Rumania, which has made strenuous efforts to maintain equilibrium within the country between the conflicting interests and to keep pace with the recommendations of Geneva - thus contributing to that international understanding which is

not only desirable but necessary for the achievement of co-operation among the nations. How far this policy has been successful it is yet too early to judge; but an attempt will be made to describe the difficulties in the way.

Since the World War, the tariff policy of Rumania has been the result of two tendencies which were justified by the abnormal circumstances of the post-war period.

- 1) We may observe; the tendency towards adaptation of the tariff duties to the variations in the value of merchandise - which was a consequence of the fall in the value of the national currency - and also to the real raise in the value of goods; hence the numerous changes in the tariffs.
- 2) Secondly, let us note the tendency towards the adaptation of tariff to the new economic structure of the country, since in the new territories, there existed valuable industrial equipment, which under the old Austro-Hungarian tariff enjoyed high protection and also a large home market.

The first attempt to reconcile the tariffs to the actual situation was made as early as 1921, when a first general tariff was introduced, but from the date when the law was put into force - July 1st 1921 - to 1924, when a new tariff was enacted, the fall in the power of national currency was remarkable; 1/17th at the end of 1921 - 1/30th in 1922, and 1/40th in 1923 and 1924. The first law which was to give some stability to the tariffs was that passed in 1924, when the provision was made that henceforward all the duties should be payable in gold.

It was a minimum-maximum tariff, since to all those countries which would not give "the most-favoured-nation clause" treatment to the Rumanian products, the maximum tariff would be applied; this being the minimum tariff trebled.

This tariff is the first in which some industries are granted a higher degree of protection than they enjoyed under the tariff of 1906 before the War.

The foremost place in the economic life of the country is held by the foodstuffs industry, which has the greatest number of undertakings, and the largest share of the total capital invested in industry; the value of its products is greater than that of any other branch of industry.

The following table shows the development of this industry in the post-war period.

Rumanian Industry.

As we have shown, the protectionist policy in Rumania dates as far back as the last quarter of the 19th century. Owing however, to the lack of coal and iron, important industries could not be developed in the earliest period; though the state made strenuous efforts to build up an industry, more specially in the first decade of this century.

The attempts towards industrialisation were confined to such industries as found their raw material within the country. In these circumstances, the agricultural industries were those which attained the greatest development. Apart from these, the oil industry was the most important in the country.

National capital was responsible for about 50 per cent of the total capital invested in industry, and was directed mainly in the agricultural industry, while foreign capital collaborated chiefly in the oil and timber industry to the extent of 80 per cent. Rumanian industry, on the eve of the War in 1915, was based mainly on the raw materials found in the country, as these were responsible for 80 per cent, while foreign raw materials were only imported to a limit of 20 per cent. Thus it can be observed that Rumanian industry, such as it existed before the War, remained closely dependent on the agricultural production.

The fact that Rumania had to import almost every manufactured article from foreign countries, was felt by the country, chiefly in those years when agricultural production was bad. This one-sided economic development was very prejudicious to the country, as the well being of its population had to depend to a large extent on the climatic conditions.

The fact is perhaps one of the most import of those responsible for the industrialisation of the agricultural countries.

The foodstuff industry.

The foremost place in the economic life of the country is held by the foodstuff industry, which has the greatest number of undertakings, and the largest share of the total capital invested in industry; the value of its products is greater than that of any other branch of industry.

The following table shows the development of this industry in the post-war period.

(000's omitted).

<u>Years.</u>	<u>No. of establ.</u>	<u>H.P.</u>	<u>Capital invested.</u>	<u>Value of raw mat.</u>	<u>Value of fuel.</u>	<u>Value of prod.</u>	<u>No. of employees</u>
1921	977	98	1.042	2.698	174	4.416	26.054
1922	536	82	3.633	3.712	411	6.061	23.105
1923	678	92	6.244	5.495	420	9.730	28.008
1924	842	101	8.815	8.459	613	14.427	32.911
1925	602	87	9.074	8.158	463	10.238	26.858
1926	840	99	10.526	9.980	677	14.959	34.672
1927	1.147	125	11.335	11.774	699	17.435	35.149

It can be seen that up to 1924 there was a steady increase in the number of workmen, value of products, and value of raw materials; only to have a set back in the following year, when the upward movement was checked. From 1926 however, the industry again began to flourish for a short period.

The number of enterprises varied from year to year, due mainly to the harvests; so that in those years when there were good crops the number increased, while on the contrary it decreased in those years when bad harvests prevailed. This perhaps was due to the fact that the number of Mills was the most important.

The Mill industry in Rumania in the post-war period could never work to its full capacity, since the high tariff walls of the Central European industrialised countries, towards which the exports gravitated, greatly hampered their development.

If we consider the H.P. which gives a better picture of the industrial situation, it is seen that the H.P. used during the post-war period was stationary, and if we consider that Rumania, even to-day, imports certain articles which should be produced in the country, we must conclude that, though the industry during the fifty years since the country achieved her independence made great progress - as it conquered the entire home market - its production covers 97.5 per cent of the home consumption - its expansive power outside the national boundaries has been checked by the economic policy of the industrial countries, and to a certain extent also by the lack of organisation among the producers for export purposes. This lack of organisation has been overcome up to a point by the establishment of the "National Office for Export" under the guidance of the Minister of Commerce.

The Chemical Industry.

Next in importance came the Chemical Industry, which according to the statistics of 1927, when 378 factories, 62.920 H.P. and

6.545 million Lei, 17.809 employees; the value of its products being estimated at 11.448 million Lei. The most important group of this industry is formed by the oil industry which is responsible for about 75% of the above-mentioned sum; that is over 8.500 million Lei. The products of this industrial group count for over 20 per cent of the total Rumanian exports. The prohibition of crude oil exports greatly helped to increase the quantity of the distilled oil in the country, for in 1929 there was but 6 per cent distilled oil, while in 1925 the percentage had increased to 31 per cent. This industry, in the years immediately following the Great War, in spite of the great export duties to which it was subjected, realised important benefices; this can be seen from the fact that, for the years 1920-23, it yielded a dividend of 24 per cent, while in 1928 its rentability fell to 5.04 per cent.

The development of this industry is of great importance to Rumania. As one of the principal exporting industries, it is largely responsible for the improvement of the balance of trade. The internal consumption at present only amounts to about 30 per cent of the total production, while the remaining 70 per cent is exported. Owing to the economic depression which prevails in the country, the internal consumption shows a diminution during the last year of over 100 tons, while in the meantime the export returns show a steady increase, rising from 2.3 million tons in 1928 to 3.5 million tons in 1930.

The fall in prices greatly influenced this industry, as the value per ton fell from 2.200 Lei in 1926 to 1.700 Lei in 1928, reaching its lowest level in 1930, when it fell to about 700-800 Lei. Thus only in four years alone, the prices fell to about a third of their former value.

Apart from the catastrophical fall in prices, the oil industry has to reckon with the Soviet "Dumping" which most extensively affects its markets.

The well being of this industry being of foremost interest to the state, this latter should grant certain advantages. The transport fares for the export products should be diminished, and certain duties levied for the protection of the metallurgical industry should be decreased, while the export taxes should be abolished. Moreover the interests of this industry should be borne constantly in mind, when concluding the commercial conventions; on the other hand the industrialists should consider whether a restriction of the present production is not in their interest.

The other branches of the chemical industry, important as they are, only cover about 60 per cent of the total consumption.

The high protection afforded to this industry is upheld more from motives of national defence, than for economic reasons.

The Textile Industry.

The most important articles of import are textiles. In the post-war years, when the balance of payments was greatly affected by the enormous mass of imports, the Government afforded a greater protection to the textile industry in order to check the imports, and to help the establishment of the textile industry within the country. The tariff of 1924 and the subsequent revision in 1926 like the tariff of 1927, increased continuously the protective duties.

In such circumstances, with the home market assured by the high tariff walls, the textile industry strongly established itself in the country. The following table exemplifies this:-

Years.	No. of establ.	(000) H.P.	(000.000) Capital invested.	Value of raw mat.	Value of fuel.	Value of prod.	No. of employees
1921	156	13	109	469	16	1.007	10.409
1922	182	16	837	1531	16	2.957	15.285
1923	285	21	1783	1885	78	3.366	25.176
1924	377	24	2621	2713	90	4.878	35.065
1925	397	25	3099	3821	146	5.673	29.326
1926	462	28	3681	4124	158	6.656	30.046
1927	511	34	5023	5010	233	8.633	37.062

Thus it can be observed that the textile industry has greatly developed since 1921, and this could only be achieved with the high protection afforded to this industry. It should be noticed that the textile industry does not enjoy the same advantages with regard to the raw materials as are enjoyed by the other two industries, the foodstuffs and oil industry.

Wool and linen are in the country, and in this respect the home wool production contributes about four fifths and only about 1/5 imported; this being high quality wool. The wool industry achieved such a state in its development that to-day it is able to satisfy 80 per cent of the internal consumption.

The cotton industry is based entirely on imported raw materials; its situation greatly relies on the protection granted by the tariffs. According to the official estimates of 1927, the home production of the entire textile industry covered only 29.5 per cent, while the imports were responsible for over 70 per cent.

In spite of the great protection afforded, the imports did not diminish, though the internal production greatly increased. This shows that internal consumption is increasing still faster. This is justified, when the material situation of the peasant after the war increased and the internal consumption per inhabitant is still far behind the Western Countries. The internal consumption per inhabitant was estimated in 1927 at 56 gold marks for France, while in Rumania it was but 26 gold marks.

State protectionism should only be moderate; since affording too high protection encourages the development of unhealthy enterprises which in times of depression will press towards greater protection, and thus will increase the price of the manufactured articles of the country at the expense of the consumer. The general rate of net profit of the textile industry followed the general trend of depression; thus in 1928 it fell to 9.12 per cent, as compared with 11.6 per cent of 1927.

Metallurgical industry.

It has often been asserted that among the youngest industries in the country is the metallurgical industry; this however, is not the case. The industry is located mainly in those parts which formerly belonged to the Austro-Hungarian Empire. While the Old Kingdom was less favourable to the development of this industry, the new provinces of Transylvania offered more advantageous ground for its development.

Moreover, the industry has been looked upon as the corner stone of any sound industrial development in the country; and for these reasons, as for reasons which interest the national defence, the industry has been greatly assisted by the state tariff policy. The chief handicap to the development of this industry lies in the fact that although the country has sufficient fuel reserves, a high quality of coal is lacking and this has to be imported to a certain extent. This obstacle, in future will probably diminish, since the use of oil and natural gas can improve the present situation. Lack of iron however, is the most important obstacle to the development of this industry. The iron ore which exists within the national boundaries is not sufficient.

In spite of these natural obstacles the industry has steadily increased in importance. Examination of the following dates will prove this: -

(000's omitted)			(000,000)			(000)	
Years.	No. of establ.	H.P.	Capital invested.	Value of raw mat.	Value of fuel.	Total value of prod.	No. of employ- ees.
1921	305	58	289	355	53	1330	37
1922	423	64	1533	1196	310	2680	36
1923	503	68	2771	1243	479	4497	40
1924	557	73	3803	2062	517	4944	44
1925	521	84	6593	2843	382	6127	41
1926	552	87	7738	3554	466	7172	45

A steady increase in the number of factories, invested capital, and value of products is noticeable, and a comparatively slow augmentation of the number of workers, ever since 1921. In later years, the industry still further increased its productivity, though the world wide crisis affected its development. The industry is entirely dependent on the home market, and the diminishing purchasing power of the bulk of the population affected this industry during the last two years. The financial difficulties of the state still aggravate the situation. In Rumania the State is the chief customer of many industries, such as the metallurgical and textile industry.

The protection afforded to this industry in the post-war period was very great; it attained 40-50 per cent of the value of those products which could be manufactured within the country. This high protection enjoyed by this industry, economically is not justified; on the contrary it was realised that it was even harmful to agricultural interests, since it increased the price of agricultural machinery and implements, so badly needed in the post-war period. The prices of agricultural machines and implements were very high in the post-war period, owing to the fact that the heavy duties added considerably to their original cost. The home industry could only supply between 30-40 per cent of the total consumption.

The high protection afforded to this industry is only justified from the point of view of national defence. It is mainly this fact which counts, and it is chiefly defended on the ground that "defence is more important than opulence" *to use the phrase of the Classical Economist, A. Smith.* Complaints against the heavy duties, in connection with this industry, were various, not only from the agricultural interests, but the petrol industry too raised cries that the development of the oil industry is greatly hampered by the high tariff walls of the metallurgical industry. With the advent into power of the National Peasants Government, many duties on agricultural machinery and implements were considerably decreased, and the protection granted to this industry lowered. It is as yet difficult to foretell the future of this industry, though it can be greatly developed, since at present, the production only covers 40 per cent of the home consumption.

To combine the interests of consumers and producers within the concept of the interests of national economy, would be the great task of the responsible statesmen of the country.

The Timber Industry.

The Timber industry played an important role in the country even in the pre-war days, but with the increase in the size of the country, important timber resources were acquired; hence, the role which this industry has to play in the future economic policy of Rumania is to be accounted for. The Timber area of Rumania more than doubled after the War; from 3.3 million hectares in 1951, it rose to 7.2 million hectares or 24.6 per cent.

The Timber industry steadily developed in the years immediately following the peace up till 1928; but since then, it has shown a decline. Timber exports of Rumania stood in 1913 at 0.2 million tons, while in 1919 they reached the lowest level being but 0.02 million tons. From 1919 to 1925 there was a great increase, reaching in 1924/5 an average of 2.5 million tons, which has since steadily declined. As regards quantity, the timber industry resembles the oil industry, these two exporting industries "par excellence". The internal consumption being but 30 per cent, the remaining 70 per cent is exported. The movement in the world market greatly affects this industry. Nevertheless the economic policy of the Rumanian Governments affected to a certain extent the healthy development of this industry; but by far the most important hindrances to the export trade was the unsatisfactory transport system.

The need for adequate transport facilities in Rumania was an acute problem; even after six years of peace, the lines and rolling stock were insufficient for the needs of imports, export and internal trade.

From the following table may be observed the fluctuations in the quantity and value of the timber exports in the post-war period.

<u>Years.</u>	<u>Quantity in million tons.</u>	<u>Value of million Gold Lei.</u>
1913	0.28	0.023
1919	0.02	0.005
1920	0.09	0.12
1921	0.57	0.47
1922	1.96	2.59
1923	2.22	4.00
1924	2.54	5.54
1925	2.50	6.38
1926	2.22	5.89
1927	1.77	4.37
	1.-	

It will be observed that in the post-war period, for the first three years, the export trade scarcely existed. The economic reconstruction of the country, coupled with the lack of transport facilities and the heavy export duties, should account for the slow recovery of the timber trade. It was only in 1923 that the principle of freedom in Commerce was instituted by the Government, prohibitions being for the most part abolished. In the following years, up till 1924, export trade, in spite of the great export duties levied on timber products, steadily improved. The export duties were, in some cases, even greater than the value of the product itself.

Lack of adequate organisation for the export trade and lack of capital, rendered the position of this industry very precarious in the last few years; and the fall in the prices in the world market still more aggravated the position.

The economic policy of the Rumanian Government during the first years after the War, was not favourable to the development of this industry. There has been lack of continuity in this policy. Prohibitive measures were changed very often and so were the export taxes. Apart from these the system of licences instituted, with a view to keeping within the country the materials needed for the country's reconstruction, hampered the trade to a large extent. Favouritism played an important role in the granting of these licences.

The transport tariffs established by the Rumanian Railways were in the last few years a hindrance to this industry, since the Rumanian Railway fares were about 30 per cent higher than those of the competing countries such as Yugoslavia and Poland.

The timber industry, paper etc., nevertheless increased in importance within the country for the manufactured articles. The number of factories increased from 130 in 1923 to 182 in 1926, and the capital invested from 831 million Lei to 1836 Lei.

The rate of net profit fell from 23 per cent in 1923 to 10.5 per cent in 1926, partly because of lack of co-operation between the great concerns, competition between them being very acute.

An international agreement was reached - after lengthy negotiations - which were pursued over two years - in 1928, between the exporting concerns of Rumania and Yugoslavia. The consequences were beneficial to the trade, prices being more or less stabilised. Another cartel was established between the Rumanian and Czechoslovakian exports for supplying the Hungarian market with timber. The appearance in 1929

of Russian timber on the Mediterranean market was a great shock to the Central European producers, though for a long time to come the competition of the Russian timber on these South Eastern markets is still improbable, on account of the great expenses connected with transportation.

The tariff war between Germany and Poland, and lately that between Hungary and Czechoslovakia, improved the situation of the Rumanian timber industry, since large quantities of Rumanian products find markets in Germany and Hungary.

Rationalisation in this industry is very necessary, and for the present can only be achieved slowly, since much capital is necessary to improve the present situation.

The transport fares should be reduced, since they are to-day much higher than in the pre-war days; thus the transport per waggon of 10 tons before and after the War is as follows:-

									(Lei.
1913	at	50 Km-	45	Gold	Lei.	300 Km-	133	Gold	Lei.
1930	"	"	66	"	"	"	210	"	"
1930	increased by	47	per cent			58	per cent.		

High taxation is another handicap, but for the present, in view of the bad financial situation of the state, any relief is hardly to be conceived.

The Paper industry attained a great development, and is bound to develop still further on account of the favourable natural position and the economic policy of the state. Up to now there has been a steady increase in production; while in 1919 the production was but 727 waggon, it rose to 2869 waggon in 1928 and 4322 waggon in 1929; but this has been achieved at great sacrifices, since the internal price is from 30 to 100 per cent higher than the world price for the various kinds of paper. This industry covers the internal consumption to an extent of over 80 per cent.

To conclude it should be said that the timber industry -is one of the most important branches of the national economy, and still offers great opportunities of development; but the paper industry should realise that the high protection granted at the moment cannot be maintained, and the industry has to cut down expenses in order to reduce the cost, which at the moment greatly affects the tax-payer.

Rumania's Foreign trade.

Rumanian foreign trade which before the War showed a great improvement, has changed in the post-war period. Shortage of raw materials, and the necessity for replacing the country's industrial equipment, as illustrated in the tables of the country's foreign trade for the years immediately following the War, are characterised by the excess of imports over exports.

Values. <u>Thousands of millions.</u>			Values. <u>Million in Gold Leu. //</u>			
<u>Year.</u>	<u>Imports.</u>	<u>Exports.</u>	<u>Imports.</u>	<u>Year.</u>	<u>Exports.</u>	<u>Balance.</u>
1913			590	1913	671 plus	81
1919	3.8	0.1	830	1919	23 minus	807
1920	7.-	3.4	696	1920	344 "	352
1921	12.1	8.2	782	1921	532 "	250
1922	12.3	13.-	447	1922	510 plus	63
1923	19.5	24.6	490	1923	617 "	127
1924	26.3	28.4	675	1924	729 "	54
1925	29.9	29.1	748	1925	728 minus	20
1926	37.1	38.2	891	1926	917 plus	26
1927	33.4	37.7	1046	1927	1180 "	134
1928	32.1	26.9	1006	1928	843 minus	163
1929	29.8	28.9	915	1929	876 "	29
1930						

In spite of all the restrictions and trade hindrances which accompanied the post-war period, the foreign trade of Rumania developed fairly steadily up to 1927, but received a severe set-back in 1928; contributing to this is the failure of the maize crop, the higher value of the national currency, and the downward trend, or lower prices of the world market for cereals, oil, timber and other primary products. For a country which has no diversity of crops, and even so for an agricultural country, the variations in the atmospheric conditions have a far greater importance than for an industrial country. Almost the entire economic activity of the country is bound up in one way or another with the country's agricultural productivity; hence a bad year brings distress to the whole economic organisations within the country - though lately the good years seem to bring as much poverty as the bad ones.

The deficits of the first three years were a direct consequence of the country's exhaustion of raw materials and the reconstruction of her economic life. The fall in the value of

- 1) Calculated according to the average rate of Leu in terms of Gold Leu. *based on \$.*

imports in the next three years is attributed on the one hand to resumption of normal economic activity within the country, and on the other hand, due to the imposition of a new tariff policy. Ever since 1922, the imports of the country have risen continuously year by year, reaching its highest level in 1927, while in the subsequent years a downward movement has been noticed.

The increase was natural, though the slow recovery of the country can be judged by the fact that while the pre-war Kingdom imported in 1913, Goods valued at 690 million Lei, the imports of Greater Rumania reached that sum only by 1924. The increase of industry within the country could not give a satisfactory answer. Lack of exports and the country's inherent diminished purchasing power was the most serious obstacle in the way of imports.

With the resumption of normal economic life within the country, the purchasing power of her population increased, and so did the imports, although the buying power of the population is as yet far behind that of pre-war times.

The pre- and post-war situation as regards population are compared in the following conclusion which shows that, before the War, both imports and exports were larger, the figures being 15 and 16.1 per cent per head of population, while after the War, they were 10 $\%$ - 9.5 $\%$.

If the best year after the War, 1927 - which, as far as foreign trade was concerned was a record in this period - is compared with the year 1913, then Rumania's foreign trade increased only by 75 per cent, while in population and territory it increased by 130 and 115 per cent respectively. Thus, although there has been an expansion in Rumania's foreign trade since the conclusion of the War, its situation is as yet far from comparing favourably with pre-war times.

In ten years from 1919 - 1928, Rumania's foreign trade showed a deficit of 1089 million Gold Lei, and the major part of it was covered by the emission of Treasury Bonds. Without an active balance of trade, Rumania cannot, in the long run, assure a healthy development of her economic life.

1) The $\%$ considered - 5.18 Gold Lei.

100 paper Lei represented in New York in:

1919. 1920. 1921. 1922. 1923. 1924. 1925.

4.262 1.925 1.243 0.702 0.485 0.497 0.450

The annual payments of the countries abroad are over 5000 million Lei, which could only be covered by the increased exporting capacity by surplus of exports. The other active items in the country's balance of payments not being very important, all efforts should be directed towards attaining new outlets for exports. The tariff of 1929 attempted to conciliate the various interests within the country, and to form a base for commercial conventions. How far it has fulfilled this task, is difficult to say at present; many agreements were reached with foreign countries, but the negotiations with Germany, one of the most important countries towards which Rumanian exports gravitate, did not bring any satisfactory results. Nor can any conclusion be reached as regards the agreements concluded with other countries.

Produce. 1913 1923 1928 1929 1930 1931 1932 1933
in percent.
100.

Livestock	100	100	100	100	100	100	100
Animal prod.	100	100	100	100	100	100	100
Cereals and derivatives	100	100	100	100	100	100	100
Vegetables and flowers	100	100	100	100	100	100	100
Fishes and derivatives	100	100	100	100	100	100	100
Oil and oil products	100	100	100	100	100	100	100
Other prod.	100	100	100	100	100	100	100

Rumania, while still exporting a large number of agricultural products has lost the place which she formerly held on the international market. Her exports of cereals average only 40 per cent of her total exports, much below the 70 per cent which they amounted to before the war. Several writers have drawn attention to the fact that the Rumanian trade balances before the war were obtained at enormous sacrifices imposed upon the population. The material situation of the population was very bad; the wages of the population were miserable, and their consumption was but very restricted.

In the post-war period, their external situation and their moral position was improved. Unemployment is to-day almost entirely vanished, and the peasant has been released from that situation which was equivalent to semi-slavery. His lot has been considerably improved to-day.

Composition of Rumania's Foreign Trade.

If an analysis is made, it is found that foodstuffs, timber and petroleum compose the greatest part of Rumania's exports. It is not exaggeration to state that these articles and their derivatives amount to over 90 per cent of the country's total exports. Agricultural products, the products of the earth and its forests, are the base on which the country's future development is to be built up.

The following table shows the composition of the country's exports since the War.

Composition of Rumania's Exports since the War. "

Products. in percent- age.	1913.	1921.	1922.	1923.	1924.	1925.	1926.	1927.1928
Livestock.	0.4	9.6	13.3	7.-	10.19	14.5	8.10	
Animal prod.	2.8	4.6	1.4	1.7	4.-	6.3	5.7	
Cereals and derivates. }	67.-	50.4	38.3	49.6	43.9	25.2	36.9	
Vegetables and flowers. }	5.1	4.7	4.8	7.4	5.3	5.3	4.5	
Timber and derivates. }	3.5	22.4	18.5	16.5	19.2	21.5	15.-	
Oil and oil products. }	19.6	22.4	18.5	13.1	12.3	19.8	25.-	
Other prod.	1.6	3.-	4.9	4.7	5.1	7.2	5.-	

Rumania, while still exporting a large number of agricultural products has lost the place which she formerly held on the internal market. Her exports of cereals average but 40 per cent of the total trade, though before the war they amounted to 70 per cent. Several writers have drawn attention to the fact that the favourable trade balances before the War were obtained at enormous sacrifices forced upon the peasants. The material situation of the peasants was very bad; the mass of the population was illiterate, hence their necessities were but very restrained.

In the post-war period, their material situation and their moral position was improved; illiteracy is to-day almost extinguished, and the peasant has been rescued from that situation which was equivalent to semi-starvation. His lot has been considerably improved to-day.

Much progress has been made in the exports of live stock

1) Based on official publication issued by the Minister of Agriculture

which before the War was almost non-existent. It is probable that in future this branch of exports will play a much greater part in the country's national economy.

The former Minister of Agriculture, Garoflid, said that the best way of raising the country's agriculture is to replace the export of wheat, oats and barley by the export of meat and fats. The trend in the development of these exports is but a corroboration of the above statement. There is indeed a tendency to give more attention to this branch of national economy in the country. Much depends however, on the general outlook of protectionism which will be adopted by the importing countries, and of course, of the country's economic policy, which by Commercial Agreements can do much to improve the situation.

Oil has, more or less, maintained its position as in the pre-war period; there has been a tendency to maintain its level around 18 per cent.

Another important item of export is timber and its derivatives. Forests have increased since the War by the incorporation of the former Austro-Hungarian territories; the total area of forests now covers 24.6 per cent of the country.

Difficulties in connection with the export of these most important items in the foreign trade of Rumania have lately been greatly increased. This can be seen from the fact that some articles had to be greatly increased in quantity so as to maintain the same relation in value. The tendency was not much different even in the years before the War; but for two or three years the fall in the price of raw materials has been catastrophic, and is bringing much distress and poverty to the strictly agricultural countries.

In the country's import trade there has been noticed a change in the post-war period. While before the War the principal imports consisted of metals and machinery which occupied about 40 per cent, textiles were next in importance, contributing over 22 per cent; thus these two classes formed nearly two thirds of Rumania's imports in 1913. In the post-war period textiles were most important, averaging over 40 per cent yearly, while metals and machinery rose to over 30 per cent. It is of paramount importance to note that while there has been a change in the chief imported classes of goods, the total amount of these classes is more or less the same as before the War, the tendency in the last few years, however, has been to decline.

Hungary.

The effects of the Treaty of Trianon upon the political and economic structure of Hungary had far reaching results. According to the official estimates the new Kingdom, which emerged from the War, retained but 28.5 per cent of the former territory, 36.4 per cent of its population and 39 per cent of the national income of pre-war Hungary. Indeed her economic structure has been less affected than that of Austria, though the basis of national production has been greatly disturbed.

So far as agriculture is concerned, Hungary has the largest part of her former arable land. It has been estimated that out of her total territory, 60.2 per cent consists of ploughland; a fact which is of considerable importance, since her available agricultural products by far exceed her home consumption. Thus she figures in the first ranks of the corn exporting countries of Europe. Hungary of to-day has a larger exportable surplus of grain than the pre-war Kingdom. She has also a large exportable surplus of livestock, having retained approximately 35 per cent of her former supplies; though the percentage of the various categories differs in the present territory. She has more horses and pigs and less horned cattle and sheep per 1 00 inhabitants to-day than before the War, and her exportable surplus is also considerable. On the whole, the greatest assets of Hungary's national wealth are to-day, as before the War, still in the land.

Timber resources. The present day Hungary has lost the greatest part of her former timber resources. It should be borne in mind that the timber trade of the pre-war Kingdom played a leading role in the external trade of the Dual Monarchy. The pre-war timber resources were thus not only able to cover the requirements of the country, but also gave a large margin to export. To-day Hungary has to import considerable quantities of timber to make up for her necessities, since of her pre-war timber resources she retained but 13.4 per cent.

Industry. In so far as agriculture is concerned, it has been shown that the productive capacity of the country has been increased. If we compare the present with the pre-war situation, we shall see how the industry of the country has been affected.

The number of factories in the pre-war Kingdom was

- 1) The total area of timber lands in pre-war Hungary was roughly 7.700.000 hectares, while the total area of timber lands in post-war Hungary was roughly 1.167 per hectare and the proportion of various kinds of timber has also altered

4.271, of which the present Hungary retains 47.08 per cent. She also has, in her present territory, 50 per cent of the total motor force and 79.3 per cent of her former workmen. Comparison, either of the territory or the population at present, shows that Hungary's share in the industrial equipment of the former territory is greater than before the War. The total value of her industrial products was estimated before the War at 3.396 million crowns, and of this total sum, she retained 55.6 per cent.

The pre-war Kingdom was better suited for industrial development than is the modern territory. So far as the basic raw materials are concerned, her position is to-day much weaker than before the War. Apart from agricultural resources she has not enough of the other basic raw materials necessary for the development of her industry in sufficient quantities, so that in order to maintain and develop her industry, the country to-day is faced with the necessity of importing large quantities of raw materials.

According to the researches of a Hungarian Engineer, the following is the productive capacity of various branches of industry, and their available raw materials, within the territory of present day Hungary. //

Percentage of the
1913 totals.

<u>Industry.</u>	<u>Productive capacity of factories.</u>	<u>Available raw materials.</u>
Food products.	58.	44
Metallurgy.	50	10
Machinery.	82	42
Textile.	41	15
Chemical.	40	30
Leather.	58	48
Paper.	20	12
Glass and stone.	58	40

Thus, while the agricultural productivity scarcely altered during the War and the Peace Treaties, industry encountered much greater obstacles at the conclusion of Peace. As it was in every country, so in Hungary too, industry was placed at the disposal of War requirements.

During the War, industry had to adjust itself to suit the purposes of military administration; then with the conclusion of Peace it had to reorganise itself and readjust its production to the newly created situation. The most important facts to reckon with were -

- a) the decline of home consumption.
- b) the difficulty in the way of export.
- c) the lack of raw materials.

Mining. The mining resources of post-war Hungary are inadequate to meet the country's requirements. According to the official estimates, the total value of Hungary's mining products in 1915 amounted to 203 million crowns, of which the present territory retained but 70 per cent.

Before the War, Hungary had to import coal to the extent of 75 million tons. It has been stated that this large import of coal was partly due to the fact that her coal resources were not of the best quality, and also that her coal mines were unfavourably situated from the geographical point of view. Her total coal consumption amounted before 1914 to approximately 17.5 million tons.

As for Iron Ore, the pre-war Kingdom was more than self-sufficient. The total production in 1913 was 2.06 million tons, of which 0.55 million tons were exported. In her present territory she has the mine of Rudobanya, which in 1913 produced but 0.4 million tons, and according to the experts, will be exhausted in less than 20 years. All other Metal Mines were lost.

After the War, Hungary had to follow an economic policy exacted by the changed circumstances, and to make the best of the situation, bearing in mind that the consuming capacity of the country greatly diminished after the War, and counting upon her natural resources and her industrial equipment.

The post-war tariff policy of Hungary.

Hungary, like each of her neighbours, used the system of restrictions and prohibitions at the beginning of her independent national economic and political life. This system had already been put into force in the neighboring countries by the time that a stable Government was formed in Hungary after the Soviet system had been displaced.

Directly after the end of the War, the mistrust between the nations of Central Europe was so great that the resumption of the former economic relations was impossible. This was due however, mainly to the fact that they were in a state of exhaustion, in so far as food and raw materials were concerned. National hatred may have been a factor, but only of second importance.

The first commercial relations of Hungary were based on the system of compensation which was nothing but barter, and in many cases it was not the state who arranged this bargaining, but private enterprises. In virtue of such arrangements, cotton goods were brought from Austria, and flour and meat sent there.

This compensation system developed later into the "contingents" system, in which the state played an important role, as it allowed certain quantities of raw materials or manufactured articles to be exported on the basis of Governmental approval.

Import and export restrictions were still the general feature, but the system lost some of its rigidity.

The beginning of the export regime was more severe than that of the import; it can be seen that already in 1919 import prohibitions were removed from the majority of raw materials and semi-manufactured articles which were needed for the reconstruction of the economic life of the country. The importation of certain finished articles was allowed, in so far as they were required for satisfying the most urgent necessities of life, and could not be obtained in Hungary.

This system of restrictions and prohibitions lasted in Hungary up to 1st January 1925. It suffered many modifications during that time, the tendency being towards a freer trade; but it was the period of 15th July 1927 and 1st January 1925 that witnessed a more radical change. It was in this period that the Government undertook to remove the restrictions on import trade in respect to certain articles, and render them liable to payment of the duties prescribed in the new tariff.

Hungary, up to 1925, employed the old Austro-Hungarian tariff of 1906, but of course bringing it into relation with the depreciation of the crown by applying to its rates of duties a surtax. These surtaxes were gradually increasing in the case of industrial articles.

The old tariff of 1906, the tariff of the former Dual Monarchy. The general features of this tariff with the modifications made since the War were as follows:-

All the articles liable to payment of duties were divided into four categories.

- a) In the first class there were the articles which could be manufactured at home; for these, a surtax amounting to the gold parity. The same applied to articles which were not of immediate necessity.
- b) Half-manufactured products and many articles of common demand were divided into these categories, and the surtaxes which were applied to them varied;

1) Board of Trade Journal 1919.

2) The articles of not immediate necessity were also greater than the others.

certain raw materials had less to pay. In any case they were under the gold parity.

The system of prohibitions and restrictions was used with the purpose of impeding the value of the crown; but the protection accorded to the national industry by the system must not be overlooked.

The scheme of trade restrictions made it possible for Hungarian industry to reorganise itself in such a way as to correspond with the changed economic conditions of the country; the protection accorded by the system has been incalculable. This policy, like that of inflation, rendered such a great service to industry that not only was Hungarian industry able to pass the post-war obstacles with success, but it greatly expanded at the same time.

It is interesting to recall the opinion of the Financial Committee of the League of Nations appointed to examine the financial situation of Hungary when the intervention of the League was requested by her Government for the salvation of her finances. In essence the observations were as follows:-

"The economic development of Hungary is an essential corollary of a scheme of financial reconstruction. The latter provides the basis and the opportunity, but it is essential that Hungary should take advantage of this opportunity if she is to attain a permanently satisfactory position". In this respect they suggested that commercial treaties should be concluded between Hungary and her neighbours, in order to facilitate freer interchange and thus to stimulate economic relations."

"The most vital thing for Hungary is that she should achieve the best production of - and find markets for - the products for which her natural resources and her natural aptitudes best fit her. To the extent to which she diverts her resources in labour and capital to producing what can be more cheaply obtained from abroad at the expense of what she can produce better than other countries, there must be a net economic loss".

"We notice for example that her agricultural production, and to some extent the industries based upon it, are far from attaining their full development, and that markets for her surplus (particularly of wine) are not available; while on the other hand, she is developing certain new industries (under cover of inflation and prohibitions) which have no affinity to her natural resources. We wish to point out that while we realise that there are many factors involved in the problem, the development of such industries in this way must necessarily have the triple results of diverting capital from her main production (where it is urgently needed), increasing the cost

of living (with reaction on the whole of her economic life, including the power to export), and increasing the difficulties of negotiating commercial (agreements) treaties which are needed to secure markets for her most valuable products".

"So far as Hungary develops a policy of producing (by artificial aids) for her own consumption of which she has no natural advantages, she must necessarily make it more difficult for herself to dispose of the surplus of what she can produce better and more cheaply than her neighbours and with greater advantage to herself".

"As regards imports, we advise a rapid reduction of restrictions and prohibitions, inspired by the above principles and designed to facilitate commercial agreements which will aid exports".

The above mentioned quotations from the report of the Financial Committee of 1923 illustrates clearly that by that time Hungary was entirely devoted to industrialisation.

At the beginning of 1923, the new customs tariff came into full force. According to the order in Council No. 8250 of December 1924, which also provided that except for a few raw materials, whose exportations was still prohibited, all other import and export restrictions were to be abolished on the same date.

The new Tariff substantially increased the duties, and except for two categories - Chemical products and ships - every other group of articles was accorded greater protection than in the old Tariff. It has been established that the new duties added 31.1 per cent to the value of imported goods, whereas the old Tariff only increased the price of the imported articles by 18.9 per cent. The increase of the rates of duties was, according to the various categories, as follows:-

	<u>Under the provision</u>		<u>Under the prov-</u>	
	<u>of the old Tariff.</u>		<u>ision of the new</u>	
			<u>Tariff.</u>	
Iron and iron products.	31.7	per cent	79.2	per cent.
Machinery.	17.-	" "	33.-	" "
Foodstuffs and Agi. prod.	26.7	" "	32.1	" "
Textile.	12.0	" "	29.8	" "
Rubber goods.	13.2	" "	29.8	" "
Leather goods.	7.2	" "	27.5	" "
Paper products.	14.8	" "	26.5	" "
Timber.	7.-	" "	21.-	" "

From the above table it is clear that the Iron and machinery industry enjoys the greatest protection, food-

stuffs and agricultural products and textiles coming next. The new Tariff had in view an effective protection of the country's industry. It has been perhaps realised that the country's loss would be reduced if protection were established to enable the existing industries to maintain their footing on the home market, and fight foreign competition abroad on the outside markets, rather than to have the industry destroyed by foreign competition. This high tariff was also adopted for bargaining purposes.

Industry as a whole received the new tariff with satisfaction, while of course the commercial classes and agriculturists raised bitter claims against it, although as has been shown, agriculture too received greater protection than before.

The situation for agriculture has been changed; before the war it was protected on the larger customs area of the former Dual Monarchy; it enjoyed in Austria a sure outlet for the exports of her surplus. Before the war, the industry could not be developed on account of the stronger competition in Austria, as the Magyars wanted. Agriculture however, had a very good position. To-day agriculture is the greatest sufferer, being hit not only by the higher tariffs at their former market, Austria and Czechoslovakia, but also by the home protection, which raises the prices of agricultural implements and machinery.

The Development of industries in post-war Hungary.

Having at last attained her full political and economic independence, post-war Hungary set out to build up that industry for which generations had strived in the past; but she was unable to realise her desire, as the obstacles under which she was compelled to work were to a certain extent insurmountable.

There was no lack of coal supplies or iron, nor any scarcity of labour in the pre-war Hungary, but the old established industries of Austria continually hindered the industrial development of Hungary. The determination of the nation however, never has been shaken, and this has been proved, for as soon as circumstances permitted, the industrialisation plan was put into practice. At present however, the industries of Hungary have to account for some other factors which render their existence very difficult without a high tariff wall; and even then, it is doubtful whether they will be able to fight foreign competition abroad. It would perhaps be no exaggeration to say that the tempo, which certain of her industries were able to maintain in the way of their development, would not last too long.

In order to have a better idea of the industrial activities of Hungary it will be well to bear in mind that in the

year 1928, industrial production in Hungary amounted to 2847.2 million pengo out of the total national output, which has been estimated at 6174 million pengo; that is 46 per cent of the total.

The Textile Industry.

Textiles were the most important articles in the import trade of pre-war Hungary. Efforts were made, even before the war, to diminish the importation of these articles, by establishing a home textile industry. Some of the raw material necessary for it was supplied by the country itself, but the greatest part of the material had to be imported.

The establishment of such an industry was advocated, and only for the purpose of diminishing the amount paid annually abroad, but also as necessary from the point of view of national defence.

The progress achieved by the textile industry in the country can be judged from the following table, which illustrates the pre-war and post-war situation.

Hungarian Textile Industry. //

	<u>1914.</u>	<u>1921.</u>	<u>1927.</u>	<u>1928.</u>
Cotton spinning.	278.000 S	33.000	137.000	168.000
Cotton weaving.	8.000 L	4.100	11.000	12.000
Wool spinning.	51.200 S	5.800	69.000	69.000
Wool weaving.	1.865 L	370	1.760	1.800
Flax spinning.	17.500 S	10.000	20.700	20.700
Hemp "	5.500 S	4.000	5.000	5.500
-Flax and hemp spinning.	1.890 L	6.000	1.260	1.260
Jute industry.	1.015 L	565	765	765
Silk spinning.	1.174	456	756	456
Silk weaving.	500 L	550	1.070	1.240
Band.ind.	1.50 L	150	786	786
Cloth printing ind.	30	32	72	72
Waste products and) spinning.)	5.800 G	5.800	17.000	15.500

The progress made by this industry is remarkable; it is difficult to establish whether there has been loss or gain for Hungary by founding it. Much capital has been invested; and as capital was scarce in Hungary, Czechoslovakia and Austria, money abounded in this venture. This is partly due to the fact that in these countries there were many spindles and looms unused, on account of the newly traced frontiers. Rist tells in his report of the economic situation of Austria, how the textile industry suffered because the majority of the spindles remained in one country, and the looms in the other. The Hungarian industry or at least part of it, was founded with this dismantled material.

The Hungarians however, hope to develop still further the textile industry of their country, and not only to cover their home requirements, but also to find external markets for its products, mainly in the Balkans. How far they will attain this aim is as yet difficult to say, since besides having to fight the tariffs of these countries, which have established textile industries of their own, they have also to compete with the old-established foreign industries.

The development of the textile industry increased the opportunities to work of the population, for the population problem is to the fore in the national economy. The number of employees in the textile industry in 1913 in the present territory of Hungary was 23,500 but it had dropped by 1921 to 18,100, only to increase in the following years. Their number to-day is 51,100; in eight years the total having thus been trebled.

Ever since 1921, there has been a steady increase in the imports of raw materials, but the increase in the semi-finished and finished goods has not occurred in the same proportion. To-day the home industry covers the greatest part of the home production, and even extends into the export trade.

Agricultural industry of Hungary.

The most important industries of Hungary up to the present are still those based on the country's natural resources. Food and dainties industries still retain the first place in the industrial activity of the country. The total value of their output in 1913 has been estimated at 695.4 million gold crowns, out of a total industrial output of 1.64 million gold crowns on the present day territory of Hungary; that is to say, they represented over 40 per cent. To-day the value of their production counts for 1106.4 million P. out of the total, valued at 2847, so that they represent now a percentage of nearly 40 per cent. It can be seen that in spite of many difficulties they maintained more or less the same position.

Of the various branches, the milling industry has been more badly affected than any other agricultural industry. Before the War the Dual Monarchy had an extensive internal market, and a very high tariff for the agricultural products. Under these circumstances, the flour milling industry flourished. To-day, the principal markets for wheat and flour, Czechoslovakia and Austria, are partially closed. These countries endeavoured to establish milling industries of their own, by introducing high tariffs for flour. The tariff policy of the Succession states placed permanent obstacles to the exportation of Hungarian flour. These protective policies were particularly developed after 1925.

According to the tariff law of Austria, from the year 1927, while a duty of 4 gold crowns is imposed on wheat, the duty on flour is 12 gold crowns. In the Czechoslovakian tariffs of 1925-26, the ratio between the duty on grain and that on flour is as 30 : 70. The tariff of 14th July 1926 in Czechoslovakia provided minimum duties for certain agricultural products, including flour, which cannot be modified even by commercial treaties.

The Hungarian milling industry, ever since the War, has been affected by the difficulties of marketing its products abroad. The competition in the internal market has become acute, and they are burdened by high overhead costs, since they cannot utilise their full working capacity.

Her wine industry had to face a similar situation. It should be borne in mind that Hungary retained the greatest part of her wine growing regions, but lost her internal markets. Foreign competition has been keenly felt in her former markets; French, Spanish and Italian producers took over most of them. Spirits experienced the same difficulties, though they managed to maintain a better position than the wine industry.

The meat trade, though affected in the years immediately after the War by the various restrictions and state interferences, succeeded after the abolition of these measures, in steadily improving its condition and regaining to a certain extent, its foreign markets.

The sugar industry is affected by the competition in the world market; being an export industry, its situation depends entirely on the world situation. In later years, there has been such acute competition in the world market that an agreement has been concluded just recently between the principal producing countries; its main purpose is to stabilise prices by reducing the area of cultivation.

Iron, Metal and Machinery industry. If we consider the position in 1913 and 1922, we observe that it did not attain a very great expansion; the value of these products in 1913 was estimated at 476.7 million gold crowns, while in 1922 it reached 554 million P. If however, we take into consideration that the industry has been hampered by the post-war developments in Hungary till the ratification of the peace treaties, the progress seems more noticeable. Thus, from the year 1922 to 1926, the value of the output increased by 30 per cent. The progress made by the machinery industry is more important than that in other branches of the iron industry. This industry depends largely on protection, since it has to import large quantities of iron and cooking coal from abroad. The sacrifices made by the state in

this direction are very great and there is at present a very marked opposition to it in the country. Agricultural and industrial interests are not reconciled. So far the chief sufferer has been agriculture which has been injured not only by the protective system of the country, but also by the great fall in agricultural prices.

Another industrial branch which is of more recent origin is that dealing with electrical articles. It has made great strides since the War. The value of its products increased from 17.2 million gold crowns to 105.5 million Penge in 1928, while the number of men employed rose from 2100 to 7300. In future, this industry has to play a greater part in the economic activities of the country. In the chemical industry too, a great activity has been felt, though it is handicapped by the lack of raw materials.

From the above, it can be seen that post-war Hungary has devoted very great care to the development of her industry, though her position to-day is less favourable for industrialisation than was pre-war Hungary. Reasons for this policy are many; the country inherited a large industrial equipment from old Hungary.

The problem of population has been met by the extension of industrial activities. The motif of self sufficiency played an important role in shaping the economic policy of the country. It has been sought to decrease dependence on foreign countries.

Although very great interest has been shown by the Hungarian Government in industry, yet it was only after 1925 that the pre-war level was reached in the value of the industrial output, though from the annexed table it can be observed that by 1925 the value was about the same; the output in volume however, was smaller in comparison with 1913, the price index in 1925 being much greater - 130.

Foreign trade of Hungary. The foreign trade of Hungary in the post-war years developed in the main along the same lines as the foreign trade of pre-war Hungary, though the tendency to import more raw materials and export more half finished and finished articles has been noticeable.

To-day the importance of industry has relatively increased, while that of agricultural resources has decreased. Landed property in pre-war Hungary amounted to about 40 per cent of the national wealth, while in the post-war Hungary it provided only about 32.4 per cent. This is partly due to the fact that the industrial equipment which has been retained by Hungary is somewhat larger in proportion than in the pre-war territory.

The importation of larger quantities of raw materials is due not only to the fact that industry achieved a larger share in the national economy, but also to the fact that Hungary of to-day has been deprived of many important raw materials. It should be sufficient to mention timber as an example; before the War she was an exporter, but to-day the timber imports come to about 12 per cent of the total value of imports. The same applies to iron; previously she had more than necessary to cover her requirements: to-day she has to import very large quantities.

In the following table, an attempt has been made to show the foreign trade of Hungary since the year 1920.

Foreign trade of Hungary from 1920 to 1929. //

(Millions of Pengo.)

Years.	Total trade.	Imports.	Exports.	Balance.	Index numbers of	
					Imports & exports.	
1920	674.7	484.1	190.6	- 293.5	100	100
1921	898.6	607.-	294.6	- 309.4	125	155
1922	1008.6	625.7	382.9	- 242.8	129	201
1923	882.9	490.7	392.2	- 98.5	101	206
1924	1482.3	815.3	667.0	- 148.3	168	350
1925	1712.6	867.6	848.0	- 16.6	177	426
1926	1817.7	981.0	876.7	- 64.3	197	456
1927	1989.9	1182.3	807.6	- 374.7	237	420
1928	2037.4	1211.4	826.0	- 385.4	245	429
1929	2103.0	1062.8	1040.2	- 22.6	218	546

It is interesting to note that in the last ten years both imports and exports increased considerably. In the imports, with the exception of two years, there has been a steady increase, but from 1920 to 1922, the surplus of imports over exports was considerable. Here we have the same phenomenon which occurred everywhere in Central Europe in the years immediately following the end of the War. Scarcity of raw materials and manufactured articles prevailed in the first year after the cessation of hostilities; a natural consequence was the inflow of foreign goods of every kind into these countries. Hungary could not possibly escape this any more than the rest.

The fall in imports in the year 1923 was attributable partly to the measures taken by the Government to stop the fall in the value of the crown. Already in August in 1922, a Central Exchange Office had been established to control the transactions and stop the speculation, and a Commission had also been appointed to regulate the imports and exports. Its main task was to reduce to a minimum the imports, and to control the exports. In such circumstances, it is not unnatural that the foreign trade in those years was almost brought to a standstill.

// L. of H. publications also Commerce and Industry of Hungary, annual Review issued by the Budapest Chamber of Commerce.

The marked increase in the volume and value of the foreign trade during the year 1924 and in the following years, was the consequence of the introduction of stability into the economic life of the country. Transactions, even of limited character, could not be carried out as long as confidence had not been restored. The fall in the value of the crown rendered an improvement impossible. It attained in 1924 such a magnitude that the crown scarcely represented more than the value of the paper on which it was printed. In May 1924, it fell in Zurich to 1/17.500 of its pre-war parity."

During the year 1924, the assistance of the League of Nations was secured, and finally before the end of the year, the currency was stabilised. This situation, coupled with the fact that restrictions and prohibitions in the second half of that year were abolished, stimulated the economic activities in the country; proof of this is that the total volume of foreign trade in 1924 compared with 1923 increased by over 80 per cent; relatively significant too, was the increase of imports, due chiefly to the fact that freedom of trade had been restored. The stabilisation of the currency heralded a period of economic recovery, since it put an end to that policy of isolation which had prevailed since the conclusion of War.

Stabilisation was followed by a scarcity of money accompanied by a rise in prices in 1924. Nevertheless, 1925 is considered as the first normal year, since it was in this year that the relation between exports and imports allowed approximately the proportions of the normal years.

The great increase in imports during the years 1927-28 should be attributed to the fact that their period coincided with heavy borrowing abroad. 2/ Stabilisation was followed by an influx of foreign capital, and this influx, on account of long term loans, amounted to 300 million P. in 1927, and 1928 from 168.7, the figure at which it stood in 1926. Short term credits during the same period showed a tendency towards increase. The great increase in imports during these two years shows a natural connection between the balance of trade and the influx of foreign capital. 3/ The excess of imports was very marked at a time when exports were stationary, and even showing a slight tendency of decrease. But this increase should also be attributed, in a measure, to the reduction of import duties, which were accorded in the new Commercial treaties concluded during the years 1927-28.

1) Mantos E. La monnaie en Europe Centrale pg. 64.

2) L. Pasvolsky: Economic Nationalism of the Danubian states.
J. Budd: The Economist.

3) Dr. Bela de Imredy: The balance of payments.

E. Havas: Hungary's Finance and Trade, estimated that in 1928 Hungary borrowed over 400 million Pengo.

The increase in the value of exports which from 1923 to 1928 were more than doubled, should be taken also into consideration. According to some publications, the great deficits in 1927-28 were also due to the fact that the internal market suffered from lack of capital. Foreign industrialists were more ready to grant credits than the home manufacturers, and the business man took advantage of this situation. The position of imports seems to have been highest during the year 1928; a further increase in imports would only be possible in future if the exporting capacity of the country could be improved.

The Government, remembering great deficits of the years 1928-29, did all in its power to assist the export trade. Commercial agreements were negotiated with a view to finding new outlets for the Hungarian exports. Export-promotion Institutes were created; one for the sale of manufactured goods abroad and the other to promote the organisation of the agricultural exports. These institutions began their activities during 1929. Railway tariff reductions were granted to the exporters of cereals, on the lines leading to Switzerland and Italy. By this means, substantial advantages were assured to the exporters, who benefited moreover by the cheap credits offered by the Government.

To the substantial improvement in the balance of trade in the year 1929, contributed many factors; chief amongst them being the restrictions on foreign credits and diminution of consumptive capacity as a consequence of the heavy decline in the prices of agricultural products. The Hungarian Institute for Economic Research has estimated that on the average, prices for the years 1925-27, the trade balance of 1929, instead of concluding with a deficit of 22.6 million Pengo would have shown a surplus of 60 million Pengo. The decline in the price of agricultural products continued during the year 1930 to the present year. Under the prevailing conditions, it is difficult to foresee when the end of the slump in prices will come.

According to the index numbers, considering the trade of 1920 as 100 - at that time the first reliable figures were obtainable - then, the imports have risen during these first ten years by slightly over double, while exports show a much greater advance.

Character and direction of the foreign trade of Hungary.

The agricultural character of the country is shown by the composition of her foreign trade. An examination of her foreign trade by categories, leaves no doubt that the country is still an agricultural one, though there can be observed an increasing tendency towards industrialisation. Raw materials play an increasingly important role in her imports.

The imports of raw materials rose from 18.2 per cent in 1921 to 37.4 per cent in 1929. There has been except for a single year - 1927 - a steady rise in the percentage of her imports of raw materials. The imports of semi-manufactured articles show a much smaller increase comparatively, while the imports of manufactured goods steadily decreased. In nine years they fell from 65.7 per cent, its share in 1921, to 70 per cent in 1929. This great decline, should be attributed partly to the growth of home industry, which now supplies a much greater part of the domestic market than before. The most striking figures are to be found in the case of the textile industry. Since the War, Hungarian industries have greatly strengthened their control of the domestic market.

This industrial development imposed great sacrifices on the national economy of the country; protection has always been largely resorted to in order to compensate the natural disadvantages of Hungarian industries. So far there is no estimate - to our knowledge - of how great these sacrifices were, but there have been lately great obstacles to the negotiating of commercial arrangements with foreign countries; outlets for the products of agriculture, which among the exports, could not be easily obtained, partly because of her policy of industrialisation.

According to official detailed statistics, industrial commodities are the most important of her imports, and they are responsible for about 80 per cent of her imports; in the last few years a very slight decrease has been perceptible in these articles. Her most important articles of imports are still the textile, which amount to over 25 per cent of the total imports; wood and wood materials come next in importance with over ten per cent; coal, iron and machinery are also among the chief imports.

From the statistical data relating to exports, it should be remarked that raw materials were responsible for over half of her total exports; foodstuffs and dainties representing about 50 per cent, live animals over 15 per cent, and industrial articles only slightly over 25 per cent, varying from 22.31 per cent in 1926 to 43.26 in 1928, while the average for the last ten years has been 30 per cent.

The fall in imports in the year 1924 was due to the economic crisis which began to be felt as soon as inflation ceased. It was in that year - 1924 - that inflation was at its height, and in the same year occurred the intervention of the League of Nations which saved Hungary from a definite collapse. The year 1924 saw the end of the regime which had existed in Hungary ever since the end of the War. State intervention ceased almost completely, and by the end of the year freedom of trade had been completely restored. Rise in prices and scarcity of credit marked the second half

of the year 1924, when the harvest was very good.

The great increase in the volume and value of the foreign trade in the following years were the consequences of the introduction of stable conditions in the country. Transactions, even of limited character, could not be carried out on account of lack of confidence before the currency had been stabilised. The fall in the value of the crown attained such profundity that the crown was hardly worth more than the value of the paper on which it was printed. The abolition of restrictions and prohibitions also resulted in greater extension of foreign trade, and it put an end to the policy of isolation which characterised the first six years after the War.

According to geographical distribution, the Danubian countries play the largest, but a diminishing part in Hungary's foreign trade. In the years immediately following the Great War, Austria played the leading role in her important export trade. Austria's share in 1920 was over 50 per cent in the imports, and over 60 per cent in the export trade of Hungary; before the War, Austria's share in Hungary's foreign trade was over 70 per cent both as regards imports and exports.

Considering the situation after a lapse of ten years, it may be noticed that Austria's share in Hungary's foreign trade has greatly diminished. The chief part in Hungary's import trade, even since 1924, has been taken by Czechoslovakia, which contributes to-day almost a quarter of her total imports. Another country of importance for the import trade of Hungary is Germany, which managed to take second share in her imports, out-distancing in this respect Austria, and while Czechoslovakia's share lately has been stationary, Germany has shown a definite desire to increase her share; and so far, she has been successful. Rumania and Jugoslavia come next in importance after Austria; Italy also figures prominently, but she has been stationary of late. From the appended table, it can be foreseen that Germany is the country which will have, in future, the greatest part, and resume the role she used to play before the War in Central Europe.

So far as the export trade is concerned, Hungary sends her products to the Succession states in a proportion of $\frac{2}{3}$ of her total export trade. Austria takes the lead in this respect, next in importance coming Czechoslovakia, Germany, Jugoslavia, and Rumania. It is important to notice that while Germany's part in the import trade of Hungary has greatly increased in the last few years, she did not show the same willingness to receive Hungary's products. This fact shows that while Germany is favouring an economic "rapprochement" in Central Europe, she takes every measure to protect

Jugoslavia.

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The new Kingdom of Serbes, Croates and Slovenes which has adopted to-day the name of Jugoslavia, is similarly situated to Rumania. The same difficulties were encountered by the new state in its earlier period, as was the case with its allies and North Eastern neighbour. The territory of the old Kingdom of Serbia was even more damaged by the War, and its situation was rendered still more difficult by the fact that the country had, ever since 1912, been in a state of warfare.

The fact however, that Serbia of 1912 was less developed economically, rendered the War damages less important, since they could be more easily coped with. The material destruction was nevertheless great, and so also was the psychic.

The new Kingdom is endowed with a greater variety of natural resources, and the country had also acquired some industrial equipment from Austro-Hungary. The pre-war Serbia had scarcely any industries, and the country was at the mercy of her powerful neighbour. Still fresh in the minds of Serbians is the fact that when an economic Union with Bulgaria was contemplated, and eventually a customs Union agreed upon, the Austrian Empire closed its frontiers to Serbian exports.

The Kingdom of Jugoslavia is composed of the following provinces:-

	<u>Territory in Sq.Km.</u>	<u>Population in mill.</u>
Serbia.	95.667	4.3
Montenegro.	9.668	0.20
Bosnia and Herzegovina.	51.199	1.89
Palmatia.	13.245	0.65
Croatia.	43.309	2.71
Slovenia.	16.197	1.05
Vuivodina.	19.702	1.38
Jugoslavia.	248.987	13.18

Jugoslavia has therefore, a territory of over 248 sq.km. and a population of over 12 million. Agriculture is still the predominant occupation of its inhabitants, but owing to the fact that in the new provinces there are some important industrial undertakings, the country in the post-war period followed a policy along the lines of self-sufficiency in economic matters.

- 1) According to the Census of population of the S.H.S.Kingdom taken on January 1st 1921.

The Tariff Policy of Yugoslavia.

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As has been pointed out, the situation of Yugoslavia was similar to that of Rumania. The country was greatly enlarged, and different provinces had to be welded into a single unified territory. This task is as yet far from being absolutely achieved, but much has been done in this direction in the last decade.

The country, although she retained her agricultural character, possessed a more varied natural resources, and also some industrial equipment.

The salient changes brought about by the peace treaties in her economic structure, are clearly illustrated in her new economic orientation, and particularly in her tariff and commercial policy.

Jugoslavia, in common with all other new states created or enlarged by the peace arrangements, did not, in her first years of existence, adopt any definite tariff policy. Here, as elsewhere in Central Europe, monetary instability played an important role in the economic policy of the country. Nationalist feeling, which it must be borne in mind, was running very high, even before the War, had its share in shaping the new economic policy.

The problem of population also presents important aspects. With a comparatively small amount of land per capital, since the actual land brought into cultivation is but very small, less than in Hungary and Rumania, Jugoslavia had to face a difficult problem for the future. These facts, coupled with the general tendency followed after the War in almost every country of Europe, turned the economic policy of the country towards industrialisation. Confronted however, with the many difficulties which bar the way to industrialisation, the efforts of her Governments were to divert the country's economic forces towards those industrial activities which she was probably better able to do.

Industries likely to achieve more importance in the country and to reach a higher degree of industrialisation are necessarily those which are based on agriculture and on the raw materials produced in the country.

Moreover, as a consequence of the breaking up of the former economic units - the Dual Monarchy and the nationalist feeling aroused by the War - certain other industries were established in the first few years in the country. These industries, such as textiles and chemicals, although they find a ready market for their production, do not justify economically their encouragement by the state. Not only have some of them to rely on foreign raw material, but they also have to account for high rates of interest and lack of skilled labour renders their position still more difficult.

not The difficult problems which were encountered at the very beginning of its existence, find their solutions step by step. Tariffs, when the War broke up the old Kingdom of Serbia, rested on the 1904 basis. This Tariff, though penetrated by the protectionist tendencies, was intended only to meet the requirements of the small territory of Serbia - at that time a country completely undeveloped economically and whose resources were but very limited.

Nevertheless, as an emergency measure, and for the sake of unification, the Council of Ministers, by its decision of 11th March 1919, decided to extend the application of this law to the newly created frontiers. Some emergency measures were taken even before this date. As soon as the proclamation of the union of the Kingdom of Serbs, Croats and Slovenes was an accomplished fact, the Government, in view of the great scarcity of foodstuffs and raw materials, imposed restrictions on exports, and even internal commerce was restricted to various provinces. It was not until the end of that year - 5th November - that the unrestricted flow of goods within the country was permitted. As far as external commerce was concerned, there were various stages: compensation treaties, contingentation limitation of the imported or exported quantities, treaties of the most-favoured-nation clause and trade agreements and commercial conventions.

In the first stage only the State had the power to import and export certain articles, while in the second stage particulars played the most important role. These emergency measures gave way to various abuses, and as the last resort, the evils which were connected with their retention seeming to overcome the benefits derived, and they were as such abolished. The system of licences, proving to be inadequate, was abolished by the end of 1919, and replaced by the adoption of export taxes.

The export taxes were never adopted on such a large scale as in Rumania - in whose case, we analysed to a greater extent their consequences. Nevertheless, as they were first imposed without any pre-arranged plan, they had more or less the same result as in that country. Here again the chief sufferer was agriculture, which was compelled to support the difference in the price of raw materials and manufactured or semi-manufactured articles; such was the case in the timber, milling and meat industries.

In these cases, the primary products were retained within the country by the imposition of high export duties. The Government created credit and other facilities to importers.

The imposition of the export duties, in the place of the licencing system, meant a definite step towards amelioration. By the replacement of this licencing system on these duties, the difference between the internal and external market did,

Articles which could not be produced in the country in

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not go as before into the pockets of a few Governmental favourites, but it went to improve the financial situation of the State. State revenues were greatly augmented in this period, and on this plea alone the Governments were so reluctant to abolish them when more normal economic conditions were assured.

Each of the Succession states in this connection presents a vivid picture of the state of affairs.

Export duties were imposed in the first years after the War for social and fiscal reasons. Needs for re-stocking the country with the necessities of life in the years immediately following the War forced the Governments to encourage imports and prohibit exports. The export duties incessantly increased up till 1923, but since then they have shown a decline.

The emergency for reconstruction in the country was the principal factor making for their imposition and retention. Protection of a national economy was still another motive which militated for their retention, while desire for revenue also made its important contribution to the sum of causes.

The export duties became more and more insupportable as the prices of agricultural products began to decrease, and import duties for industrial production began to increase. The fundamental principle, that a fair recompense for the agriculturist is the best incentive to agriculture, has often been overlooked. This fact was finally recognised by Governments, and with the beginning of 1924, duties began to be diminished, and in subsequent years their contribution to the state revenue incessantly decreased.

Import duties on the other hand, were moderate in the first years following the cessation of hostilities. It was only in 1920, when the fall in the value of dinar became acute that the Government took the necessary steps to restrain imports. The first measures regarding the prohibition of certain articles of luxury were taken in March 1920. Prohibition was soon abolished and high duties were imposed instead.

In so far as articles necessary for the country's reconstruction were concerned, beginning with the termination of War and going on till the end of 1919, the Government stimulated imports by every means. In some cases the duties were completely removed, while in others they were greatly lowered. The Government granted credit and other facilities to importers.

a) The Royal decree of 1920 - September 1922 - provided for a complete removal of duties in the case of coal, and various machinery, if imported by state industrialists, artisans etc.,

b) Articles which could not be produced in the country in

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sufficient quantity, such as building materials, chemical products, and such raw materials and semi-manufactured articles necessary for the country's industry and its reconstruction.

c) Boats and certain categories of ships were also free to importation.

d) Certain other classes goods, such as printing materials, were also granted facilities.

It was under these conditions that the rebuilding of the country was carried on. Imports in the first four years after the peace exceeded exports. Special restrictions in the first years were applied to the Succession states, in view of their depreciated currency.

By the end of 1922, the reconstruction of the country was almost complete; industry in the old Kingdom of Serbia was again on a normal footing.

Currency depreciation, beginning 1919, played an important role in shaping Yugoslavia's Tariff policy. In order to diminish the deficits in the balance of trade, the Government on the one hand imposed certain restrictions, and on the other increased the rates of the existing duties; on the 1st of August 1920, an agio was fixed by the Government, which changed in accordance with the fluctuations of the dinar. By May 1925, this agio had reached 1100 per cent.

It has been observed by some writers that even under such conditions protection was insufficient, since the increase in --the customs rates did not keep pace with the depreciation of paper money. 1)

The fall in the value of dinar, in the first few years after the peace, was catastrophic. During 1919 and February of 1920, the fluctuations were very highly marked. It was however, on 2nd January 1923 that the dinar attained its lowest level - 3.59 francs Suisses for 100 dinars.

The balance of trade during the first four years from 1919 to 1923, closed with a deficit of nine thousand dinars. This enormous adverse balance had a bad influence on the balance of payments, and as such, brought a fall in the value of dinar.

With the improvement in the balance of trade, there was a steady rise in the value of dinar, which by the end of 1925 had attained 9.15 suisses frcs for 100, that is about 1/11 of its pre-war level.

The marked rise in the value of dinar, had a disastrous

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result for the economic life of the country. Exporters were more severely hit, since they only received about half of the price formerly obtained for their products, while at the same time the cost of production showed no visible change.

The tariff policy of Yugoslavia up till 1925, when a new tariff was imposed, was very unstable. Economic conditions and the political situation within the country rendered the adoption of adequate measures very difficult. In this period, while imports had been encouraged, exports were discouraged. Gradually however, the abnormal conditions under which Yugoslavia found itself after the war were changing, and more stable and normal relations were assumed. By 1925, the Government took measures to establish a new tariff which would give expression and satisfaction to various sections of the community, and would at the same time, assure more settled conditions for trade.

During the first six years of peace, the duties were payable in gold dinars, but they were accepted in paper dinars, with a fixed agio in proportion with the depreciation of the dinar compared with the dollar; they were also payable in foreign bills, the exchange rate being fixed by the Finance Minister. This agio however, did not vary proportionally with the fluctuations in the rate of dinar compared with the dollar, but it was fixed by the Finance Minister.

The new Tariff of 1925.

Yugoslavia, like almost every other country in Central Europe, was entranced by the mirage of self-sufficiency. Although the country has some industrial equipment, and also possesses certain basic raw materials and mineral wealth, necessary for the development of industry - and as such a departure from the existing tariff of 1904 was justified - it was felt by some writers that the country had too deeply committed itself to the policy of industrialisation.

The tariff of 1925 was devised to protect the interests of all branches of national economy, and thus is distinctly protectionist in character. The interests of industry were given predominance; agriculture, while not being neglected was in any case subordinated to the interests of industry.

The tariff of 1925 is based on minimum - maximum duties; that is, it contains all the advantages and disadvantages in connection with this system.

- Advantages.
- a) It maintains tariff autonomy, since the minimum schedule is statutory.
 - b) It tends to give more stability and security to home industries.
 - c) It tends to relieve the executive of responsibility where conducting commercial arrangements.

Disadvantages.

- a) It shows from the beginning the maximum concessions which may be granted in connection with treaty arrangements.
- b) It also reduces the value of the accorded concessions by the fact that they can be modified.

Thus, this system while assuring more stable conditions and security to industry, also contains lack of elasticity.

The minimum tariff applies to countries enjoying the most-favoured-nation treatment; while, for the others, the maximum rates are imposed.

The maximum tariff increases the price of imported goods by 34.8 per cent. According to *Trgovinski Glasnik* No. 273 1928

Wool and Cotton thread	is imposed by a duty of 12 per cent.
Cloth.	" " " " " 25 " "
Leather.	" " " " " 30 " "
Paper.	" " " " " 35 " "
Mechanical Industry.	" " " " " 40 " "
Agricultural	" " " " " 35 " "
Meat and its derivatives.	" " " " " 40 " "
Alcohol industry.	" " " " " 90 " "

This high tariff was imposed because the industries of Yugoslavia were but of very recent origin. Most of the existing factories were built during the period of inflation. According to an official estimate, 60 per cent of the Yugoslav industries owe their origin to inflation and boom period of 1919-1923, while only about 40 per cent of the existing industries were founded either during the War, or before it. The report runs as follows:-

"Manufacturers began with feverish activity to increase industrial production; they continually enlarged existing industrial enterprises and founded new ones; they made large borrowings with high rates of interest - this was the boom period - being characterised by a general increase in production. Unfortunately this situation had not in it the elements of permanency".

In the period from 1924 onwards, when prices began to fall, while the value of the dinar began to rise - thus diminishing the purchasing capacity of its population - the high rates of interest became unsupportable; add to this, charges due to social legislation and taxation, the grave situation of industry is justified. This state of affairs is reflected in the high tariff duties of 1925.

Agriculture.

By the extension of her frontiers, Serbia acquired part of the finest grain cultivating area in Europe. The part between the Danube and Tisa, and the Serbian Banat, is the best. The old Serbia, like Serbian Macedonia which became an integral part of the state as the result of the Treaty of Bucharest in 1913, is mainly a mountainous country; 90 per cent of its population is devoted to agricultural pursuits.

Croatia and Slavonia are largely agricultural and so are Bosnia and Herzegovina, though in these latter provinces, the mining industry is also important. According to the statistics supplied by the League of Nations, the situation of Yugoslavia was as follows:- 26.2 per cent cultivated land; 16.8 per cent meadows and pastures; 21.4 per cent vineyards and orchards; 30.9 per cent forests; while unproductive lands constitute 23.7 per cent, and this is mainly to be found in Slovenia or in that part of Yugoslavia which formerly belonged to Austria. In this province we find the most industrialised part of Yugoslavia, as its coal and metal mines are of considerable importance.

Yugoslavia, in common with all other states of South Eastern Europe, is eminently agrarian in character. This may be deduced by the following:-

Professions of populations of the country according to that of heads of families expressed in per centage.

	<u>Old Serbia.</u>	<u>Yugoslavia.</u>	<u>Distribution of national income.</u>
Agricultural mines.	79.32	75.94	45.56
Ind. and Trade.	7.45	9.82	24.-
Commerce.	4.55	5.12	7.33
Civil Service, Army, professions.	3.64	3.95)	-
Independent means (retired)	5.04.	5.17)	13.11

The foregoing table stands as an eloquent testimony to the importance of agriculture in the Kingdom of Yugoslavia. The general aspect of Yugoslavia, as compared with that of pre-war Serbia, is more or less the same, although the percentage of those engaged in primary production is less than in the post-war period. If deduction is made of those engaged in mines, fishing and forestry - 8.87 per cent, then 70.45 per cent of the heads of families gain their livelihood directly from agriculture and stock raising. But while these agricultural pursuits form the chief occupation of its

population, this section of population only receive 45.56 per cent of the national income; industry and trade receive 2.4 times as much; banks and communications thrice as much. 104.

Even with such small revenue, agriculture increased in importance. Ploughed land increased in area from 5.0 million hectares in 1920 to 6.0 million hectares in 1927, and if we take the year 1920 as 100 then the increase was 18 per cent in 1927 - that is 118. It is therefore, of importance to observe that agriculture developed extensively between 1920 and 1927. If the yield per hectare is to be considered, the result is not so satisfactory. For the years 1920 - 1923, the increase was less perceptible, the years 1925-26 showed a considerably increase, but 1927 was a bad year. In the last two years, although there was a record harvest, particularly for maize, conditions in agriculture were not very good owing to the steady fall in prices. According to the calculations of the National Bank, for 124 per cent more maize produced in 1929, the cultivator received only 15 per cent more in value compared with 1928. The precarious situation of the peasant can be further illustrated if we consider his average income which ever since 1925, has steadily declined. Official estimates give the peasant's average income as 4.239 dinars in 1929, 35.18 dinars in 1926, 32.31 dinars in 1927 and 3.414 in 1928.)

How far the position of agriculture was affected by the tariff policy of the Government, is difficult to ascertain, since there were many factors contributing to its plight. There were certain branches which, in spite of the export taxes imposed by the Government, still succeeded in securing profit in the first years after the peace; such were cereal producers and stock breeders; yet agriculture has remained in a particularly bad position ever since the War, owing to the changes of frontiers when the wine industry lost its market.

It was only after 1924 and particularly after 1925, that agriculture as a whole began to experience hard times. Fall in value, coupled with increased protectionism in the industrial countries, rendered its position hazardous.

The high protection tariff of 1925 adopted by Yugoslavia rendered the maintenance of outlets for agriculture very difficult abroad, since to the high protection accorded to industrial articles correspondence similar measures in industrial countries for the protection of their agriculture. Negotiations for the conclusion of commercial agreements which offer more stability to commercial relations were impeded.

1) The Economist.

High protection on the other hand, increased the prices of articles necessary to the peasant. Thus he was at a double disadvantage.

Agriculture has received more attention for Government in recent years. With the object of improving its conditions, the Privileged Agrarian Bank was opened in 1929.

Its chief aim is to assist the peasants by procuring them cheap credits. It is to the credit of this Institution that in the first two years of its existence, it placed over 800 million dinars with the peasants at only 9 - 10 per cent. The privileged Export Society, by buying large quantities of wheat, prevented speculation from depressing the price.

It is hoped that improvement in agriculture will finally be attained, if credit facilities are offered to the peasant on a larger scale.

In 1915 the daily output reached 2500 tons. With the end of the war, work ceased and was only resumed in 1922.

Owing however, to the lack of capital, skilled workers and competition from abroad, the smelting furnaces of Yugoslavia for the most part remained idle, iron ore being exported in a raw state.

The situation of the iron industry is steadily improving. The figures for production in the first half of 1923 show that they work to an extent of 63 per cent of their total capacity, whereas they only used 49 per cent in 1922. Consumption of iron was but very small in 1927. Their consumption was only 15.3 Kg per head while in 1923 it rose to about 22 Kg. Compared with other countries, the home demand is almost negligible, as Germany France and U.S. Britain use more than 200 Kg per head.

In Yugoslavia, small scale production occupies the first place in the country's industries. There are 3,572 factories employing from 51 to 100 and 273 have over 100 to 500 labourers; only 33 employ more than 5000 workers.

The problem of nationalization was tackled in Yugoslavia as it was in Russia, but without such success. "The policy of the decisive political factors" writes Dr. Vro Berlin, when speaking of the past "was not kindly disposed towards our efforts at economic emancipation, and the system of concessions and privileges went much more to favour foreigners than our own people".

After the war, the tendency to free the country not only politically but economically has been observed. But all the measures adopted by the Government could not achieve their aim. Nationalization of foreign enterprises was not done in a formal, and in practice only amounted to the inclusion of some business men or politicians in the Board of Directors.

The corner stone of any industrial development is still coal; and iron and coal deposits are found in Yugoslavia in abundance. The total output has steadily increased; as a rule her imports of coal have been larger than her exports. This should be attributed to the fact that Yugoslavia lacks high grade cooking coal. Home production of coal covers over 90 per cent of her requirements.

Iron ore is found in abundance in Jugoslavia, Bosnia having the largest share in production. The purity of coal in the very important mines of Ljubia varies between 49 and 67 per cent. Yugoslavia, among the countries of Eastern Europe, comes third in importance, being preceded by Poland and Czechoslovakia. Owing to the peculiar circumstances in which Bosnia has been placed through centuries, the iron deposits were but very little exploited. Only during the Great War did Austria make efforts to exploit them on a larger scale. In 1916 the daily output reached 2000 tons. With the end of the War, work ceased and was only resumed in 1922.

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1) Belgrade Economic Review.

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It was realised that in view of the scarcity of capital, foreign enterprises must be treated on an equal footing with the national capital.

The Yugoslav industries prospered up till 1924, but from that year onwards they underwent a severe crisis. The majority of industries were built up in the boom period which followed the War, and remembering that they relied chiefly on borrowed money, which they obtained at high rates of interest, they could not escape the consequences of the economic crisis of 1924.

Political conditions did much harm to the country in the period of reconstruction. Whatever their causes they succeeded in maintaining mistrust in the country. Political divergences had a disturbing effect on the economic life of the country; they ceased at least for a period with the introduction of a Dictatorship in 1928, and in the years 1929-30, foreign capital entered the country more willingly. Both Serbia and the new territories contain vast shares of mineral wealth. Hitherto their exploitation was retarded by the lack of capital. With the establishment of a firmer Government, many hindrances in the way of forcing co-operation in economic matters were removed and above all, confidence was restored.

French and British capital has recently been invested in Yugoslavia, on a larger scale than before, and the results will be to the benefit of both Yugoslavian consumers and the foreign investor.

Agricultural industry.

The branches of industry which ought to have reaped more privileges from the natural advantages, and which should have enjoyed the greatest prosperity, did not progress very much in the post-war period.

The leading role in the agricultural industries is played by the milling industry, and the preparation of meat and sugar factories. Her 700 million, with a capacity of 600 trucks per day, are in a position to transform her entire wheat harvest into flour. Importing countries however, put any obstacle they can in the way of imports of flour. Complaints against the high duty raised on flour by industrial countries have been frequently made, and it was shown that owing to the discriminating duties on flour, exports decreased and wheat was exported instead.

In the post-war period a very large part of the milling industry remained idle.

The sugar industry is sufficient to meet the country's requirements, and also to provide a small margin for export. It is characteristic of the present situation that the state grants a very considerable aid to the sugar industry. The price of 100 Kg of Sugar beet is about 14 francs (French). while 1 Kg

Sugar can only be obtained at over 7 francs. The annual average output in Yugoslavia is to-day only 6 Kg per head of population. (1/

Alcohol industries and breweries cover the entire home consumption and contribute to exports.

Other important raw materials necessary for industrial development such as timber and agricultural goods, are in abundance in the country. According to the estimates of 1924, the timber resources of Yugoslavia amounted to 30 per cent of the total area. Large possibilities for industrialisation in this direction exist, since if the countries of Europe are classified into five groups, according to their degree of industrialisation, then Yugoslavia occupies a very low position in the second class. To-day timber is exported in large quantities.

This industry has the greatest number of enterprises. There are in the country over 2700 saw mills, but of this number only about 350 are of any importance, the others being small establishments employing but little energy and few labourers.

The Textile industry is one of the youngest in Yugoslavia. Old Serbia had but very rudimentary installations. In fact it may be noted that neither of the new provinces possessed any important industries. Considering the Cotton industry, it may be observed that from 1920 until 1927, it almost doubled in importance, and increased its H.P. by 75 per cent, while the number of workers rose by 115 per cent. The value of textiles imported into the country shows a tendency to decrease from 1923 to 1928; the value decreased from 42 per cent to 30 per cent, but a steady increase in imports of raw and semi-manufactured goods took place. This industry is fairly well protected by the protective tariffs, and seems to increase in importance. The country is making strenuous efforts to support such an industry, since at the present time she is very largely dependent on imports. In the last few years, the textile industry has shown the greatest development.

The task of organising the economic life of the country, re-equipment of industry, means of communication, and the large quantities of goods to be imported for the years 1922 until the end of 1923, the balance of trade shows definite expansion to 9,113,235 million dinars.

The average balance of trade for the years 1922-1923 was 113,000 million of the country, and largely distributed in the value of silver particularly in the years 1922-1923.

1) Clinchites: Le politique Commercial du Royaume du Serb C.Sl.

One during the same period was also in the years 1922-1923 the various tariffs, it was thought advisable to print a printing press, and that is in addition, which was done in 1923.

Figures taken from the Belgrade Economic Review

The Trade balance of Yugoslavia.

The enormous losses inflicted upon Serbia by the Great War is depicted in the figures for her foreign trade in the few years after the conclusion of peace.

The Trade balance from 1919 to 1929.

<u>Year.</u>	<u>Milld. imports.</u>	<u>Exports.</u>	<u>Average value of dinar as percentage of gold surplus.</u>	<u>Deficit.</u>	<u>Exports as percentage of imports.</u>
1919	2.982.0	686.8	30.11 -	2.295.2	23.-%
1920	3.465.8	1.320.6	18.43 -	2.145.3	38.1 %
1921	4.122.0	2.460.7	8.66 -	1.661.2	59.6 %
1922	6.441.8	3.691.1	6.18 -	2.750.7	57.3 %
1923	8.309.6	8.084.8	5.92 -	260.8	96.8 %
1924	8.221.7	9.538.7	7.19 1.317.-	-	116.-%
1925	8.752.8	8.904.5	9.04 151.7	-	101.7 %
1926	7.631.7	7.818.1	9.13 186.4	-	102.9 %
1927	7.286.2	6.400.1	9.125 -	886.1	87.7 %
1928	7.835.3	6.444.7	9.125 -	1.390.6	82.6 %
1929	7.594.7	7.921.7	9.125 - 327.-	-	104.1 %
1930					

The Trade balance shown statistically has been follows:-

	<u>Surplus.</u>	<u>Deficit.</u>
1) 1919 - 1923	-	9.113.2
1924 - 1926	1.655.1	-
1927 - 1928	-	2.276.7
1929 -	1.655.1	11.389.9
	327.-	

Deficit Balance:- 9.734.8

The task of organising the economic life of the new Kingdom re-equipment of industry, means of communication etc., caused large quantities of goods to be imported in the first years. From 1929 until the end of 1923, the balance of trade of Yugoslavia shows deficits amounting to 9.113.2 million dinars.

The adverse balance of trade had a bad effect on the economic life of the country, and largely attributed to the fall in the value of dinar; particularly in the years 1921- 23. It was during these years that the dinar fell to its lowest level. State finances during the same period were also in great distress. To meet the serious deficits, it was thought advisable to resort to the printing press, and thus to inflation, which was another

Figures taken from the Belgrave Economic Review. 1922-30.

factor making for the depreciation of the dinar.

To improve the balance, the Government resorted to a series of measures, which not always proved to be the most adequate to meet the situation.

The years 1924-25 were marked by an excess of exports. By that time, normal conditions were re-established more or less; the hindrances to exports ceased in large measure, and the exports again recovered.

With the cessation of inflation and the improvement of the Balance of Trade, a marked rise in the value of dinar was perceptible, and by the year 1925, it had doubled in value. The rise in the value of dinar affected both imports and exports, though not in the same way. Exports became more difficult, and imports were more accessible.

The economic life of Yugoslavia which, since 1918 had made considerable progress, in 1925 entered into a stage of stagnation. This was largely due to the increase in the value of dinar. "Farmers are falling increasingly in debt" says an official Statement, "while merchants, manufacturers, and artisans, close their balances with deficits, and are therefore obliged to reduce, or even close down". //

The deficits of the first five years were met in large measure by emigrant remittances which, according to official estimates, varied between 700 and 800 dinars. Foreign loans were also concluded, chiefly in U.S.A.

The coming into force of the tariff of 1925 diminished imports in the following years, but the bad harvests of 1927-28 had their shares also in the decrease of imports. 2/

The year 1929, although a boom year so far as crops were concerned, did not, on the whole, bring relief, since the prices of exported articles were falling.

Character and distribution of Yugoslavia's Foreign Trade.

The products of agriculture and stockraising are the most important items in Yugoslavia's exports. The forest resources of the country come next in importance, and lastly the mineral wealth. Considering the share of agricultural products, it may be seen that it has greatly fluctuated ever since the War.

- 1) Statement presented to the League of Nations by the Yugoslav delegation 1927.
- 2) Belgrade Economic Review.

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From 1919 to 1921 inclusive, their share was about 33 per cent; in the next three years they shrunk to a much more modest size, representing but 18 per cent. In 1925-26 they reached 38 per cent, only to fall again in the following years to 20 per cent.

Fluctuations in the export of agricultural products were very marked during this period; atmospheric conditions always play the most important role in shaping the country's revenue.

Animals and their products ranged in extent from 15 to 41 per cent. On the average they represented from 1919 to 1928 30.3 per cent.

Timber products grew in importance; from 3 per cent in 1919, exports reached 22 per cent in 1928; they tended in recent years to maintain their level slightly below 20 per cent.

The outstanding feature of Yugoslavian exports is however, the marked decrease in the export of agricultural industry; in the last years they fell from 11 per cent to about 3 per cent. This was brought about by the agrarian protectionism of the industrial states.

Exports of mineral products up till 1924 steadily increased while in subsequent years, marked drops have been observed. A report presented by the Yugoslav delegation to the World Economic Conference in 1927, expressed the opinion that it would be desirable for Yugoslavia to set its production on a new footing, passing to those forms of cultivation in which competition is weakest, such as - cattle rearing, horticulture, and plants for industrial purposes. This has been fulfilled to a certain extent; eggs, fruit, and some industrial plants increased considerably in importance, although as regards the export of livestock, the increase was not so noticeable.

The most important articles of import belong to the textile group, which contributes over 1/3rd of Yugoslavian imports; the next important item is machinery and metal manufactures; these represent about 1/5th of the imports.

The most important articles of import, considering the value is cotton, which increased from 18.9 in 1922 to 28.7 per cent in 1929 of the total; next in importance, according to the value is iron and its products, which again show an increase - rising from 8.6 per cent in 1922 to 12.7 per cent; wool is another important item, and various machines, apparatus and implements.

Thus these groups represent more than half the import trade. Textiles and machinery coming from Austria and Czechoslovakia, also the petrol coming from Romania.

If however, we take into consideration the imports from

Characteristic in this respect is the increase of raw materials, particularly cotton. This is due to the fact that the textile industry has grown in importance in the last few years.

According to the distribution of Yugoslavia's export trade, it is clear that Italy and Austria are by far the most important countries participating in her exports. In spite of the political grievances between Italy and Yugoslavia, the former country has remained since 1918, Yugoslavia's best customer. This situation is easy to understand when we consider the peculiarities of Italy; a country whose natural resources are insufficient to feed her growing population, she had to rely on the imports of primary articles. Yugoslavia, from the geographical point of view, is best suited to cope with the Italian demand. Yugoslavia's proportion has been maintained more or less on the same level, while Italy's share in Yugoslavia's imports has diminished.

Austria's share in Jugoslavian exports is diminishing. This is partly due to the agrarian policy pursued by the former, who managed to develop considerably her agriculture. Her share is constantly declining; from 42 per cent in 1920, it reached but 17 per cent in 1928. Germany, Czechoslovakia and Hungary play important parts in Yugoslavia's exports; Greece and France are increasing their part. Yugoslavia's share in the imports of the Danubian states is constantly decreasing.

- 1) A movement is now existent in Italy against the commercial treaty with Yugoslavia; since between 1920 - 30, Italy's share in Jugoslavian imports fell from 46 million dollars to 14 million.

The first place in Jugoslavian imports until the year 1928, with the exception of 1924, was held by Austria, but during the ten years under revision, her share has comparatively diminished. While Czechoslovakia was more or less the same, Germany's part steadily increased, and it seems that this country is gaining ground, while Austria is losing it. Italy comes next in importance, but her share is constantly decreasing. U.S.A. seems to be gaining increasing importance on the Jugoslavian market. This is noticeable in the case of some other countries in the Balkans; machinery and motor cars are chiefly shipped from that country.

Imports from the Danubian states are most important, and although a very slight change has been noticed, these countries seem to maintain their place fairly well - except for Austria - and probably for a long time to come they will still do so, since it is hard to expect that any other countries could replace the textiles and machinery coming from Austria and Czechoslovakia; also the petrol coming from Rumania.

If however, we take into consideration the imports from

Germany, which has a marked tendency to increase; there are about 60 per cent of Yugoslavia's imports which are connected with the Central European States.

and industrialized of the Balkans, the provinces of Bohemia and Moravia, and Silesia. The territories taken over by each power and the population...

The population slightly exceeded that of the Austro-Hungarian Empire, and was 15,000,000. But while the area and population were large, the country had a quarter of the former empire's industrial resources. The greater part of the country was still within their frontiers. The country was 10 per cent of the industrial resources...

According to A. Vukobratovic, the country was the poorest territory of the Balkans. It had 10 per cent of the sugar factories, 10 per cent of salt factories, 10 per cent of the glass factories, and the largest part of the country was 10 per cent.

The area and population of the country in 1921, was as follows:

Province.	Area in square miles.	Population in 1921.
Bohemia.	20,100	10,000,000
Moravia and Silesia.	10,300	5,000,000
Czechia.	10,500	5,000,000
Sub-Carpathian Russia.	4,800	2,000,000
	<u>45,700</u>	<u>22,000,000</u>

Czechoslovakia also has the richest and most important coal, iron and iron deposits, besides which, she has abundant land for agriculture, although as far as food requirements are concerned, she is not self-sufficient.

Timber resources are considerable, since they cover about 25 per cent of the country's total area, and both in the quantity and quality of timber, the Czechoslovakian forests offer large opportunities.

While Hungary, Rumania and Yugoslavia, Czechoslovakia is an industrial country, and as such, her chief aim is not the production of the home market as far as her basic industries are concerned, but the security of the outlets for her exports.

Czechoslovakia and its Tariff Policy.

The new entity known as Czechoslovakia is the most wealthy and industrialised of the Succession states. It inherited the provinces of Bohemia and Moravia, the cradle of Austrian industries. The territories taken over from Hungary are however, much poorer and the population very backward.

The population slightly exceeds a quarter of the former Austro-Hungarian Empire, and but 22 per cent of its territory. But while the area and population roughly speaking, represents but a quarter of the former Monarchy, Czechoslovakia has within her boundaries the greater part of the industrial equipment of the Dual Monarchy. Bohemia, Moravia and Silesia contained within their frontiers 52.4 per cent of the factories, and 53.3 per cent of the industrial workers of Austria.

According to A. Vaclav, the industries which remained in the present territory of the Czechoslovak Republic includes 92 per cent of the sugar factories, 65 per cent of breweries, 95 per cent of malt factories, 50 per cent of liquor industry, 90 per cent of the glass industry, 70 per cent of leather industry, and the largest part of the textile industry, over 75 per cent.

The area and population of the country, according to the Census of 1921, was as follows:-

<u>Province.</u>	<u>Area in sq.miles.</u>	<u>Population (100 omitted).</u>
Bohemia.	20,102	6,670
Moravia and Silesia.	10,324	3,335
Slovakia.	18,887	3,000
Sub-Carpathian Russia.	4,885	606
	<u>54,198</u>	<u>13,611</u>

Czechoslovakia also has the greatest and most important coal mines and iron deposits, besides which, she has excellent land for agriculture, although as far as food requirements are concerned, she is not self-sufficient.

Timber resources are considerable, since they cover over 33 per cent of the country's total area, and both in the productiveness of the forest and quality of timber, the Czechoslovakian forest wealth offers large opportunities.

Unlike Hungary, Rumania and Jugoslavia, Czechoslovakia is an industrial country, and as such, her chief aim is not the protection of the home market as far as her basic industries are concerned, but the security of the outlets for her exports

which are essentially finished products.

Soon after her frontiers were established, a vigorous system of trade restrictions was enforced. The Austro-Hungarian tariff of 1906 was retained. Provisions were however made that the rates should be paid in gold. Temporary reductions in some articles of necessity could be enforced by the Ministers of Finance of Agriculture, but in order to make the tariff effective in the face of currency instability and the depreciation of the crown, surtaxes were charged to the extent of 200 per cent.

To make effective the system of restrictions at the end of 1918 the Export and Import Commission was set up, which was the highest authority on matters concerning exports and imports, since without the permission there could not be external trade. These restrictive measures were intended to assure the necessities of life and raw materials to industry, and also to protect the national currency, and for this latter reason a Central Exchange Bureau was established. //

Experiments were made with the industrial syndicates between 1919 to 1920, the intention being to facilitate to different branches of industry the supply of raw materials, or the selling of their products. In this respect some of the attributes of the Export and Import Commission were transferred to these organisations. Soon after it became evident that whenever personal interests were at stake, the Syndicates could not perform their duties to the benefit of society as a whole, and they were relieved of their authority. A new machinery was set up in June (24th) 1920 for the control of imports and exports, the Foreign Trade Bureau.

The rates of the autonomous tariff of 1906 were revised several times during 1920 and 1921. This was the more necessary as the national currency was continuously depreciating. In May 1921, the system of surtaxes was replaced, and the system prevailing in France, that of the "co-efficients" was adopted.

The items of the tariff were classified in various groups and for each class a special "co-efficient" was provided. Thus, the articles of luxury and some others were given the "co-efficient" as high as 16. Some of the finished products, where competition was most felt, 10; semi-manufactured articles 7, and some other classes still less. This state of affairs however, was not to last long, as revisions of these "co-efficients" could be effected at any time when the Government thought it necessary.

The fall in the purchasing power of the national currency brought about the tariff revisions; but by the end of 1921, the situation began to improve; other motives were still at work, and the depreciation of their neighbour's currency made it imperative to revise once again the tariffs.

1) Board of Trade Journal 4/12. 1919.

The revision was carried out by the ordinance of 18th December 1921, which came into force on January 1st 1922. The duties were nearly doubled in the first half of that year, pending a fall in the value of the crown; the protection was again substantially increased.

The industries most affected were the basic ones such as iron, textiles etc.,. The end of 1922 brought about an improvement in the value of national currency, and since then, the situation has continuously improved. But the duties were not adjusted to meet the new state of affairs, so that the tariff afforded a much higher protection than did the pre-war Austro-Hungarian tariffs, more specially after 1925-26, when high agricultural duties were enforced.

The League of Nations Publication "Tariff Level Indices" divides the country between those with a tariff indices of 15-20 a higher level than the neighbouring industrial countries, while M.Pasvolsky, writing in 1928, estimates that her maximum customs tariff is almost double the old Austro-Hungarian tariff. The maximum duties represented 36.4 per cent of the total value of imports, while the Austro-Hungarian only represented 18.9. Thus, foodstuffs are affected by 34.1 per cent, while in the old Austro-Hungarian tariff, only by 26.4 per cent; Chemical products by 42.9 instead of 21.5; textiles 28.6 instead of 12; iron and iron products at 53.3 per cent instead of 31.7; machinery 46.2 instead of 17.6

From the figures cited above, it may be concluded that Czechoslovakia has the highest tariff in force; as a matter of fact the League of Nations' estimation should be more correct, since the above percentages represent the duties for the whole group of products. This estimation can only afford evidence as to the special groups having relatively a higher or lower protection. Generally, the Czechoslovak tariff affords high protection to finished products, and comparatively small amount to semi-manufactured and raw materials.

The outstanding feature of the Czechoslovak economic policy has been up till 1925 increased protection to her national industries, especially against the competition of neighbouring countries. Important branches of the iron industry were protected by duties higher than their value. In the later years, the effect of these high duties was somewhat mitigated by the conclusion of various treaties.

It is interesting to learn that Czechoslovakia, up till 1925, took measures to protect her industries rather than her agriculture. The former balance which prevailed in the Austro-Hungarian Monarchy between agriculture and industrial protection was upset.

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Czechoslovak duties on agricultural products were thus left proportionately much lower than those prevailing for the other branches of production. In 1925, duties on agricultural products were raised and duties on a sliding scale were introduced; but this system proving unsatisfactory in practice, fixed duties were provided in the revision made in 1926. These duties, while giving satisfaction to the agriculturist did not meet his entire expectations.

Czechoslovakia, having an important meat industry, did not impose very high duties on cattle; compared with her neighbour, Germany, duties were relatively low.

The movement in favour of greater protection to the cattle breeders gathered strength, and in 1928, the leaders of the Agrarian parties introduced a Bill in Parliament demanding higher duties in general, and state help for agriculture.

With the fall in prices of agricultural products, agriculture in Czechoslovakia began to be seriously affected by foreign competition, and the year 1930 witnessed the enforcement of new laws with a view to protecting corn production and cattle breeding, and in addition to raising the customs duties on corn, flour and pigs; special duties on cattle were introduced; these however, will only come into force if prices fall below a certain level.

In the Summer of 1930, duties on agricultural products were considerably increased. The Law of 5th June 1930, empowers the Government to introduce supplementary duties on certain classes of grain, flour, meal and milling products, as well as on cattle, pigs etc., For cereals and flour, duties were more than doubled; maximum rates per 100 Kg being fixed. The Government, however, had the power to change the duties in accordance with the movement in price of these commodities up to the maximum rates. A sliding scale was thus provided.

For cattle and meat, more reductions or additional duties might be imposed by the Government if the average price as notified by the Prague Cattle and Meat Market fell below certain basic levels indicated by the Law. The increase of duties in some cases was as much as 500 per cent.

These duties however, owing to the Commercial treaty with Hungary, which fixed the conventional duties, could not be enforced. By the end of the year, the treaty expired, and the conventional duties went out of force, allowing the new duties to be employed. Considerable friction was caused by the introduction of the new duties between the two countries; at present a tariff war is being waged between them.

Again, the Government, in its desire to come to the help of the Agriculturist Community, instituted "import bonds". The exporters of minimum quantities of rye, barley and oats etc.,

at their own desire, were granted an import bond of certain value which they could use in payment of the import duties. This system is practised in the neighbouring countries such as Austria, and is not viewed with sympathy. They have to retaliate on the grounds that the "import bonds" are but a camouflaged export bounty.

The customs tariffs in Czechoslovakia to-day are in general higher than they were in 1927 at the World Conference. Czechoslovakia is a country whose prosperity depends largely on her exporting capacity of finished products; by raising duties on agricultural products and on livestock, it was made more difficult for her to place her manufactured goods in the adjoining strictly agricultural countries. To reconcile the conflicting interests of industry and agriculture within the country, is perhaps one of the most difficult tasks that her Governments have to face in the near future.

Competition between the industrial countries is growing apace day by day - in spite of the various international cartels and insurmountable difficulties seem to be in the way of further expansion of her foreign trade towards the West. Her industrial leaders, as her leading statesmen, will have to reconsider whether, in view of her favourable geographical situation - being as she is situated in the neighborhood of agrarian countries - it is not more convenient for the country to find new markets in the Balkans and near East.

Czechoslovakia concluded a series of treaties in the first few years, but they were mainly based on "quota" agreements. Gradually this system gave way to more regular commercial treaties. The treaty with France marks the beginning of this new era. This treaty provided for mutual reductions, and came into force in August 1923. Ever since that date, the number of commercial treaties has increased, so that at present, there is a complete network of commercial treaties, with almost every country.

Industries of Czechoslovakia.

Czechoslovakia was faced with the problem of finding new markets for her industries. Her industrial production, such as it existed before the War, was based on the needs of a large and highly protected home market.

Natural resources favoured the development of industry. Basic raw materials and fuel resources are found in large quantities within the country.

Coal is found in large quantities; the output far exceeds the requirements of home consumption. The main deposits of li- quite are found along the German frontier, and this latter coun- try has always been her chief customer. In 1913, out of a total output of 23 million metric tons, 8 million were exported, of which 6.5 million went to Germany. In the post-war period, Germany, having made more use of her own deposits, exports from Czechoslovakia declined on the average from 1919-27 to only 2.1 million metric tons. Brown coal did not reach its pre-war level, since the fall in exports was not compensated by the increased home consumption.

The other coal basins depend more on the home market, although important quantities are also shipped to Austria and Hungary. The situation of the Black coal mining industry thus not only attained the pre-war level, but actually surpassed it in 1926, production in 1928 was 14.5 million tons.

Iron and Steel Industry.

The Iron and Steel foundries are concentrated in two impor- tant district - Moravia, Austria, Karvinna and the vicinity of Prague, Kladno. This latter district is important for its iron deposits. Of the 47 blast furnaces located in the former Aus- trian Empire, 27 are in Czechoslovakia. In 1913 the steel foundries of Czechoslovakia produced 58 per cent of the total output of Austro-Hungary. From 1919 to 1922 inclusive, the iron and steel industry experienced hard times. The production of raw steel and pig iron which stood in 1913 at 1019 and 781 thousand of tons, fell on the average 849 and 578 respectively from 1919-22. From 1923 onward the production steadily increased. Iron, it should be men- tioned, does not cover the country's entire requirements, and to a certain extent has to be imported from Germany, Sweden and Austria. It is lack of raw materials and scarcity of coal that we must blame for the decline of output.

The crisis through which the iron and steel industry passed in the first year after the War, compelled the industry to cease com- petition within the country, and a Central Sale Office was establi- shed, which worked on a "quota" system. This enabled the indus- tries to carry on a new organisation, so that to-day much more

specialisation exists than before the War.

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The engineering industry is fairly well developed and so is the metal industry. These are largely dependent on exports.

The situation of the iron industry has steadily improved ever since 1922, when production of raw steel and pig iron was at its lowest level, being but 721 and 335 thousand of tons respectively.

How great the improvement has been may be judged from the production of steel and pig iron after 1922.

Production of steel and pig iron. (in thousands of tons).

<u>Year.</u>	<u>Raw steel.</u>	<u>Pig iron.</u>
1918	1.019	781
1920	973	737
1922	721	335
1925	1.500	1.166
1929	2.147	1.642

The increase has been remarkable, and it helped all the industries which are based on it. The improvement in the output has been reflected in a steady increase of exports. This may be gathered from the fact that while in 1926 the value of iron and iron goods exported was but 7 per cent of the total Czechoslovak export, in 1929 it represented 8.8 per cent. Machinery and apparatus, likewise contributed comparatively more towards exports in 1929 than in 1926; representing 2.8 per cent in 1929, while in 1926 they only amounted to 1.9 per cent of the total exports.

The Textile Industry.

The textile industry is dependent for its existence on imported raw material. This is the industry which more than any other depends on exports, since the domestic market can only absorb about 30 per cent of its production. One of the most important sufferers, after the dismemberment of the former Austro-Hungarian Monarchy, was certainly the Textile industry; not only were textile goods prevented from reaching the former markets, but the new states established textile industries of their own.

The great losses inflicted upon this industry were somewhat mitigated by the fact that many manufacturers removed their machines to the new states, thus concurring to the establishment of textile industry in the new entities. How much their share was and how much they are responsible for the erection of a new industry in states like Hungary, Rumania and Jugoslavia is difficult to say.

The importance of the textile industry may be judged from the place held by Czechoslovakia amongst the European states. She

Based on the *Aperçue Statistique de la Republique Tchecoslovaque* issued by the Statistical Office. 1920

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held the fifth place.

The textile industry, in the years following the conclusion of peace, passed through a very serious time, owing to the loss of its outlets. How serious this handicap was, may be gathered from the fact that while the number of workers in Bohemia, Moravia and Silesia was about 343.000 before the War, their number shrunk to only 243 thousands in 1921.

The fall in the value of the crown in those years rendered the acquisition of raw materials very difficult, and large amounts of money were lost in the first years, when American cotton was brought with the aid of the state.

The policy of deflation followed from 1923 onwards again influenced the industrial branch, and caused many factories to be closed down. Only by 1924-25, did the industry regain a certain degree of prosperity, but not for long, since the year 1926 brought another fall in consumption in the home market as well as abroad. A revival came in 1927, but from 1929 onwards a sharp increase in unemployment occurred in this industry.

The seriousness of the condition in which the textile industry in Czechoslovakia finds itself, may be judged from a memorandum submitted to the Government by the "Allgemeine Deutsche Textilverland" - an association representing the greater portion of the textile industry of North Eastern Bohemia. According to the memorandum, no fewer than 108 firms, members of the association, have gone into bankruptcy or made compositions with their creditors, and as a result of this state of affairs, several thousand workers have been thrown out of employment. //

The distress in this branch of industry is particularly attributed to the dislocation of the former Austro-Hungarian Empire. The loss of the former large home market, and the subsequent rise in the tariff barriers of the various countries is held responsible in the first place; and the decline in the purchasing power of the home market, particularly the diminished purchasing power of the agricultural community, is to be accounted for. Again serious loss has been inflicted upon the industry by the fall in the purchasing power of agricultural countries, whose buyers in many instances, are not able to pay.

The association urged the Government to take adequate measures to improve the situation. By these, they claimed to improve trade conditions between Czechoslovakia's neighbouring countries. In particular, the conclusion of tariff treaties with Germany, Rumania and Jugoslavia was insisted upon.

They also called the attention of the Government to the necessity of avoiding any change to the detriment of the textile industry in the commercial treaties with Austria and Hungary. Free

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imports of chemicals, various remissions of taxes and the creation of a Governmental fund for export credit insurance, notably for the trade with Soviet Russia, were also advocated. The textile industry had a steady declining tendency in recent years; this may be gathered from the following:- (1/

Imports and Exports of Textiles (in metric quintals).

<u>Cotton.</u>			<u>Cotton Yarns.</u>		<u>Cotton fabrics.</u>	
<u>Year.</u>	<u>Imports.</u>	<u>Exports.</u>	<u>Imports.</u>	<u>Exports.</u>	<u>Imports.</u>	<u>Exports.</u>
1927	1.600.000	86.380	50.490	328.330	20.540	421.180
1928	1.371.000	91.320	51.100	266.080	22.870	368.370
1929	1.339.260	88.200	46.700	272.940	16.800	361.210

<u>Wool.</u>			<u>Woollen Yarns.</u>		<u>Woollen fabrics.</u>	
<u>Year.</u>	<u>Imports.</u>	<u>Exports.</u>	<u>Imports.</u>	<u>Exports.</u>	<u>Imports.</u>	<u>Exports.</u>
1927	279.220	56.750	37.360	117.870	10.090	145.920
1928	269.110	63.530	34.770	110.650	10.120	148.990
1929	393.110	61.570	28.350	105.840	9.080	148.470

Thus in the last three years there has been a steady decline in the amount of raw material used by the textile industry, and as a natural consequence of this state of affairs, its producing capacity diminished.

The textile industry is losing ground in the Danubian countries. In 1921, almost 80 per cent of the total textile exports were placed in these countries; in 1924 only 60 per cent, while in 1925, it was only 51 per cent. 1/

Other important industries are those of stone, porcelain, and glass. The porcelain industry is built on the valuable supplies of raw material found within the country. There are important deposits of china clay in Czechoslovakia. Earthenware contributes to the country's export trade, without 2.5 per cent.

Glass industry is another important industry; as a matter of fact the Bohemian glass industry has acquired a great reputation in foreign markets, and is one of the oldest industries in the country. Its products are chiefly exported, and the breaking up of the Dual Monarchy affected this industrial branch in so far as the fall in the purchasing power of the population of Central Europe rendered the sale of glass articles impossible, and the tariff barriers increased the obstacles in the way of its exports. Notwithstanding these difficulties the glass industry steadily increased in importance. Exports of glass and glassware increased from 5.7 per cent in 1927 to 6.8 per cent in 1929 of the country's total export trade.

The leather industry is another important branch of the

1) Figures based on the publication of Felschek & Co. Bankers.

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national economy, and is steadily expanding. Leather and leather goods represented 5.4 per cent of the total value of exports in 1927, while in 1929 their share increased to 6.9 per cent.

The chemical industry is expanding rapidly; the number of joint stock companies in this industry increased from 24 in 1929 to 77 in 1928, while the capital rose from 135 million Kc. to 645 million in the same period.

Agriculture and agricultural industries.

According to the latest estimates, in Czechoslovakia in 1928, there was 43 per cent arable land, 33 per cent forests, 18 per cent meadows and pastures; unproductive land was but 4 per cent. The War had disastrous effects on Czechoslovakian agriculture. According to Dr. Vladislav Brdlik, lack of manures and fertilisers, as well as the enforcement of maximum prices, brought down production in Czechoslovakia to about 40 per cent of the pre-war standard.

State control of prices being abolished and more normal conditions prevailing, agriculture began to improve, and by 1925, production stood at about 5 per cent above the pre-war level, although the area in cultivation reached 87 per cent. State credits accorded to producers were responsible in large measure for the great improvement in agriculture.

Land reform was not carried on to such an extent as in some other countries of South Eastern Europe. This had a beneficial influence on the country's agriculture. Attention has been drawn to the relative importance of the various crops. Barley has considerably increased in proportion, and also the fodder crops. This seems to be justified by the large increase in cattle breeding, which followed the agrarian reform.

Livestock will continue to increase, since there is a tendency for meat consumption per head of population to rise. While in 1922 only 24 Kg per head were consumed, in 1924, the proportion was 26.4, and two years later it had reached 30.4 Kg per head. In 1927 it was 31.1 per cent.

In the case of Czechoslovakia, it is interesting to note that her present economic system is far more advantageous for the farmers formerly belonging to Hungary than is the case with the farmers belonging to territories which either remained in Hungary or Rumania.

The Customs policy of Czechoslovakia, by imposing high duties on agricultural products will also help to appease the national hatred of its racial minority, mainly the Magyars. Economic advantages offered to racial minorities - though indirectly - will prove in the long run to be of great benefit to the country's internal consolidation.

Sugar industry.

Among the agricultural industries, the sugar industry is the most important; Czechoslovakia being the second in importance in Europe. In the first year after the War in 1919, sugar was the most important article of export, and in fact came to be regarded "as one of the chief means stabilising the exchange".

The year 1925 was the most important for the area under sugar beet; ever since, production has been declining. From 307 thousand hectares in 1925, the area decreased to 257 thousand in 1928. Unfavourable conditions prevailing in the world market for sugar, coupled with changes in the tariff policy of certain European countries, seriously affected this industry. Production of beet-sugar greatly expanded between 1923 and 1925, reaching in the last-mentioned year, 15 million q; but the next few years witnessed considerable reduction. In 1925 production increased above the pre-war level, as the figures for 1912/13 were but 14.5 million q.

The unfavourable state of affairs - due to the world conditions - prevailing in the sugar industry is reflected in the country's foreign trade. Refined sugar, while representing on the average, 12.4 per cent of the country's export trade between the years 1921-1926 decreased in importance in the last few years, the sugar industry contributing but 5 per cent of the country's export trade in 1929.

Other important branches of Czechoslovakia's foodstuff industries are - brewing and distilling industries and milling and meat industries; this latter branch has grown in importance, as the Governments greatly favoured the development of this industrial branch by imposing high rates of duties on imported flour. In this they were successful, as they managed to decrease considerably the amount of flour imported.

The timber industry has also highly developed in the last few years; this industrial branch has been severely affected by the economic depression and the world conditions prevailing in the timber industry. The trade dispute between Hungary and Czechoslovakia has affected this industry more than any other, since almost 50 per cent of Hungary's requirements were covered by imports from that country; lately the imports from Czechoslovakia have almost completely ceased.

1) Figures taken from the official publication.

Agence Statistique de la République Tchécoslovaque, 1930.

2) Based on the average exchange of the dollar at the Prague Stock Exchange.

1920.	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929.
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12.2	70.1	81.3	84.8	84.3	83.7	83.8	82.7	83.7	83.
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Aperçu statistique de la République ~~Cze~~ Tchécoslovaque. 1930.

1920. 1921. 1922. 1923. 1924. 1925. 1926. 1927. 1928. 1929.

70.4	81.3	44.5	34.2	34.3	33.9	33.8	33.7	33.7	33.
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The returns from foreign trade increased from 3.5 thousand and million gold crowns in 1919 to 5.9 thousand million gold crowns in 1929. ¹⁾ Thus having in view that world conditions were not too favourable to the development of trade, Czechoslovakia not only maintained her share but also increased it considerably. This is more true for the years 1920 to 1927; from that year onwards, the increase was not so conspicuous.

The active balance of trade is the chief item of the balance of payments, and it also acts favourably in maintaining the exchange rate of the crown at a fairly stable level.

The unfavourable balance of trade for 1919 is explained by the dislocation and disorganisation of the country's economic life. For four years, from 1920 - 1923, the balance of trade showed surpluses amounting on the average to 381 million gold crowns; for the following two years surpluses were but 64 million.

In the last two years all the important industries have suffered from the decreased demand and the fall of prices in the World market; exceptions to this general tendency are to be found only in the leather and paper industries, which managed to improve their conditions.

Wool and coal	21.3	21.7	17.4	17.8	47.1	53.1	47.7	47.3
Grains	64.7	69.2	60.3	60.8	25.2	21.3	25.4	25.8
Gold and silver	1.2	0.3	0.7	0.2	0.3	0.2	0.1	0.2

The most important articles of imports are cotton, and wool. These two articles form about a quarter of the country's imports. There has been observed almost a constant tendency as regards cotton: from 13.1 per cent in 1922 it increased to 14.9 per cent in 1925, and in 1929 it again declined to 14.3 per cent. As far as the imports of wool are concerned, the tendency has been to increase; from 7.3 in 1922 it reached 11.4 in 1927.

Wheat is another important article, but a sharp decline is noticeable for the import of this article: from 1.9 per cent in 1921 it decreased to 2.3 per cent in 1927. This was brought about by the enforcement of high import duties for wheat. Meanwhile, the imports of wheat has increased.

Livestock contributed about 5 per cent. During the years under review, there has been but a slight tendency for imports to decline. On the imports' side, apart from the decline in food articles, a relative stability has been observed, mainly in so far as raw materials are concerned.

¹⁾ *Aperçu statistique de la Républ. Tchécoslovaque. 1930.*

Character and Distribution of Czechoslovakia's Foreign Trade.

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From an analysis of Czechoslovakia's foreign trade, it may be gathered that the country is primarily an importer of raw materials, and an exporter of manufactured products. Czechoslovakia as a rule had a favourable balance of trade which is essentially industrial in its character. The balance between the two important branches of the national economy, agriculture and industry, is more proportionate than in other leading industrial countries such as Great Britain and Germany, who depend to a far larger extent on importation of foodstuffs. This fact is viewed with sympathy, and the state in the last few years has made strenuous efforts to improve conditions in agriculture, so that the country's unfavourable balance of trade in respect to foodstuffs may be diminished.

The following table illustrates this tendency.

<u>Composition of Agriculture.</u>	<u>Exports.</u>					<u>Imports.</u>			
	1922.	1924.	1925.	1928.	1930.	1922.	1924.	1926.	1928.-
Live animals.	0.3	0.3	0.3	0.4		4.1	5.2	3.9	3.6
Art. of food and ind.	12.5	18.7	18.8	13.6		22.5	25.2	22.4	18.1
Raw mat and semi-mfrd.	21.3	21.7	19.4	17.2		47.1	48.1	47.2	47.6
Goods.	64.7	59.-	60.8	68.6		26.-	21.6	26.4	30.6
Gold and Silver.	1.2	0.3	0.7	0.2		0.3	.-	0.1	0.2

The most important articles of imports are cotton, and wool; these two articles form about a quarter of the country's imports. There has been observed almost a constant tendency as regards cotton; from 13.1 per cent in 1921 it increased to 15.9 per cent in 1925, and in 1929 it again declined to 14.8 per cent. So far as the imports of wool are concerned, the tendency has been to increase; from 7.3 in 1921 it reached 11.4 in 1927.

Flour is another important article, but a sharp decline is noticeable for the import of this article; from 10 per cent in 1921 it decreased to 2.9 per cent in 1927. This was brought about by the enforcement of high import duties for flour. Meanwhile, the imports of wheat has increased.

Livestock contributes about 5 per cent. During the years under review, there has been but a slight tendency for imports to decline. On the imports' side, apart from the decline in food articles, a relative stability has been observed, mainly in so far as raw materials are concerned.

In the export trade, by far the most important group of articles is formed by textiles, which occupy the first place, being the largest single item of Czechoslovakia's exports. From 23.7 per cent in 1921 it declined to 14 per cent in 1923, but by 1927 it again reached 25.7 per cent.

12. of N. publications: Memorandum on Ind. and Trade.

Sugar is another important article of export; from 1923 to 1926 inclusive, it represented about 13 per cent, while lately the tendency has been to decline. It is asserted that the measures adopted by Great Britain for the encouragement of the home producer by lowering the duties of raw sugar, seriously affected the sugar industry in Czechoslovakia, and of course the general conditions in the sugar industry in the world.

A substantial increase in the export of iron and machinery has been observed. As this group grew in importance, from 3.9 per cent in 1921 it reached 8 per cent in 1927.

The Glass and Porcelain industries also contribute largely to the export trade, also the timber and paper industries.

According to the distribution of foreign trade, a substantial change has taken place in the last few years. A sharp decrease in exports, which formerly were directed towards the Danubian countries, has been noticeable. In the years 1920-21, of the total exports 56.5 per cent found their way to the former territories of the Austro-Hungarian Empire; by 1927 they only amounted to about 36 per cent, that is only about 1/3rd of the pre-war exports. The Western and Northern countries of Europe were responsible for the diversion of Czechoslovakian foreign trade. Imports also decreased in importance.

"Czechoslovakian producers, who before the War enjoyed the benefits from the large economic area, defended by high tariff walls, found their position substantially changed after the War. It must be remembered that the comparatively slow expansion of the Austrian industries in the markets outside the territories of the Dual Monarchy, was attributed to the high economic barriers; also their smaller efficiency. Manufacturers and industrialists of Czechoslovakia realised that only a thorough reorganisation of their industries and a better organisation of the producers could counteract the serious consequences of the dismemberment of the Monarchy. They set to work, and by rationalising the process of production in the textile and other industrial branches - either by closing some of them down and removing part of their machines to the newly created states, or by organising various cartels and other central selling offices - they managed to diminish internal competition and to adjust prices to the world market. Rationalisation in almost every industrial branch has been constantly carried out. By so doing, they were able to keep their stand in the foreign market, comparatively better than other industrial countries, in some industrial branches.

Dr. Carl Uhlig: when passing in review Czechoslovakia's foreign trade says "..... the success which Czechoslovak producers have already achieved has been more than sufficient to counter-balance the inevitable consequences of the highly artificial management which has been given to industrial undertakings in certain of the

1) Carl Uhlig: Czechoslovakia's Foreign trade.

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other succession states".

The leading role in Czechoslovakia's foreign trade is played by Germany. One third of her imports - if we take into consideration the trade carried on with the leading ports of Germany - Hamburg and Breiten - comes from that country, while the same country takes only about 20 per cent of her exports; showing increased tendency. Austria comes next in importance. Imports from that country were very constant, averaging from about 7 or 8 per cent; while exports to that country only amounted on the average to 18 per cent; the tendency being towards decline.

Hungary and U.S.A. concur with about 6 and 5 per cent respectively, while Yugoslavia and Rumania as a rule but more than they export from Czechoslovakia; their share however, is not very important.

Imports from Poland have increased, having this firm tendency even yet.

In conclusion it may be said that while the industries of Czechoslovakia were greatly handicapped by the obstacles emerging from the dissolution of the Austro-Hungarian Monarchy, the country made strenuous efforts to adapt itself to the new conditions. It may also be said that the measures adopted in the first years of her tariff policy - although they were emergency measures - proved to be of lasting character, and Czechoslovakia to-day, even though she enjoys in some respects more advantages than her immediate neighbours, has maintained a higher tariff which has made the conclusion of commercial treaties more difficult than would have otherwise been the case.

Instances of this may be found in the treaty negotiations with her neighbours, and most especially with Hungary, with whom she finds herself to-day at tariff war. Having in view the qualities of her people, described by the British Commercial Secretary as possessed of a "traditional export psychology" we may expect that in future an intensification of her trade relations will be to the benefit of both foreign and domestic producers.

The economic life of the country was gravely affected by the war. Industry, trade, and transportation were all badly affected; unemployment was almost universal, and starvation could be prevented only by assistance from abroad.

In such circumstances, on 1st October 1918, the National Assembly by a unanimous vote, signed the declaration of independence within six months. The important question of the future of the people was again the Union with Germany.

Austria.

The Austrian Republic began its economic life after the War in a very precarious condition. It is perhaps no exaggeration to say that none of the European countries have passed through such difficult situations as did the new Republic of Central Europe.

A complete shortage of raw materials, mainly food, rendered its position difficult from the very beginning. The country being the main mountainous, cannot, even after ten years of peace, feed its population; and what still more complicated matters is the fact that almost 1/3rd of the population lives in the City of Vienna.

The new Republic, it may be remembered, inherited 26.5 per cent of the former Austrian Empire, and 23 per cent of its population. It is unnecessary to emphasise more the position, since for the most part, its troubles are well known. The new Republic, with her economic life completely disorganised, and cut off from her sources of supply of raw materials, did everything in its power to fight the difficulties. These attempts were in vain, and but for the help received from the League of Nations, this industrious nation would have been thrown into economico-political chaos.

The union with Germany, on the 12th November 1918, was proclaimed in vain, since the Allies did not approve of it; it would have enlarged the German Empire.

During the year 1919 - 1920, the economic distress of the young Republic became more acute from day to day; the economic life of the country was practically at a standstill. Industry, trade, and transportation were all badly affected; unemployment was almost universal, and starvation could be prevented only by assistance from abroad.

In such circumstances, on 1st October 1921, the National Assembly by a unanimous vote, urged the Government to take a plebiscite within six months. The important question to be settled by the people was again the Union with Germany.

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Political pressure from the Allies however, once more prevented this action.

During the next two years, economic conditions went from bad to worse. This may be gathered from the fact that, while at the beginning of May 1922, the dollar was still quoted at as much as 8000 paper crowns, on August 25th it was quoted ten times as much, or 83.600 crowns.

All this time the Austrian Government made strenuous efforts not only to obtain foreign assistance, but to convince the Allies that Austria's existence in such circumstances was untenable. The Federal Chancellor - Dr. Seipel - paid visits to Prague, Berlin, Verona and London, and also Geneva, to confer with the statesmen of the neighbouring countries. At last in October 1922, an agreement was reached; the League of Nations took upon itself the task of assisting Austria, and for this purpose a loan of 650 million gold crowns was placed at the disposal of Austria.

The scheme of economic and financial reconstruction of Austria was carried on under the financial control of the League, and the country had to sign an agreement by which she undertook "not to alienate its independence" and to "abstain from any negotiations or from any economic or financial engagement calculated directly or indirectly to compromise this independence"; apart from other obligations taken.

The assistance afforded by the League of Nations proved to be a success; the currency was stabilised, and state finances placed upon a sound basis. Thus the collapse of the Young Republic could be avoided.

By June 1926, the control of the League of Nations ceased; and in that year, Austria regained her economic freedom.

- 1) The provinces of Tyrol and Salsburg proceeded with their own plebiscites and the vote was almost unanimously in favour of Union 99 and 98.6 per cent being the results.
- 2) In a letter addressed to the Supreme Council, when asking for credit on August 7th 1922 the Austrian Minister in London said: "If against all expectations, this last hope were also to prove chimerical, the Austrian Government, knowing that to save the situation they have tried in vain all means which lay in their power and which constituted the utmost exertion of the people, would have to call together specially the Austrian Parliament, and to declare in agreement with it that neither the present nor any other Government is in a position to continue the administration of the State.
- 3) Protocol No. 1 of Art 4 1922 signed in Geneva by Gt. Britain, France, Italy, Czechoslovakia and Austria.

Agriculture in Austria.

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Agriculture in present day Austria has not such a great importance as it had in the old Austrian Empire. The fact that the arable land comprised within the boundaries of present day Austria is comparatively less than it was before, accounts for this situation. According to the post-war census, the largest part of Austria's territory is covered by forests which comprise 38 per cent of the total area; 24.5 per cent is devoted to agriculture and gardening; 27 per cent is allotted to meadows and pastures, while 10.5 per cent is entirely unproductive.

Although in Austria the most important cereals are cultivated, it must be borne in mind that as the country is for the most part mountainous, the cultivation of Indian corn and wheat is restricted owing to the short period of vegetation.

If we take into consideration the area and output of the four principal cereals from 1919 to 1928, we may note a considerable increase in output, but the increase in area was not so remarkable.

The following are the figures for area and output for the years 1919 and 1928.

Kind of crop.	Area under cultivation.		Output in mill		Percentage showing	
	in acres.	of cwts.	of cwts.	Percentage showing	increase of	output and area
	1919.	1928.	1919.	1928.	1919.	1928.
Wheat.	454.000	504.000	3.3	6.4	11.6	92.7
Rye.	810.000	946.000	5.1	9.5	16.7	85.9
Barley.	286.000	365.000	2.2	5.-	27.5	124.2
Oats.	659.000	765.000	4.2	8.4	16.-	98.4

From the above-mentioned figures it may be gathered that agriculture considerably increased in importance, and it was mainly in the increase of output per acre that progress was more marked. Thus for an increase in area under cultivation, on the average of 17.8 per cent in the ten years under consideration, there was an increase of 120 per cent in output. Compared with Western countries, the yield per acre is still rather low, but the possibility of increasing it exists.

The increase in root crops, such as sugar-beet and potatoes, is still more striking; the area for sugar beet increased by 345 per cent and its output by 421 per cent, while for potatoes, the increase was 159 and 192 respectively. According to some estimations, Austria can meet her food supplies to the extent of about 65 per cent, but the remaining 35 per cent she is bound to import.

As regards cattle breeding, Austria, although she is abundantly supplied with fodder, still has to import approximately half of her requirements. It is expected that, owing to the state policy concerning this important branch of national economy, the importance of cattle breeding will grow.

1) Mj.Meiml: *Revue Economique Internationale.*

On the whole, agriculture in present-day Austria has made marked progress, and in some of its branches the production is greater than before the War. The following table shows the general production of some of the main crops.

<u>Thousands of tons.</u>	<u>1913.</u>	<u>Average for 1915-24.</u>	<u>1925.</u>	<u>1927.</u>	<u>1928.</u>
Wheat.	350	202	290	325	351
Rye.	633	334	550	511	506
Barley.	221	131	200	238	231
Oats.	427	269	388	430	462
Maize.	102	85	116	126	107
Potatoes.	1605	1186	2068	2664	2488
Sugar Beet.	605	222	492	733	725

It is thought that still greater improvement may be achieved if adequate measures for the protection of agriculture are taken, but there are always certain evils ensuing from the adoption of protective measures. As a rule the prices of cereals may be checked and the area under cultivation may be increased; but in an industrialised country like Austria the price paid for these advantages is very high, and they result in dearer bread and slackening of industrial progress. On the other hand, less fertile land being brought into cultivation, increased expenses and low output per hectare are just as likely to follow.

The progress made by Austrian agriculture, although marked in the post-war period, was comparatively tardy compared with the progress of the Western countries; it was not until 1927 that the pre-war level was more or less attained. In some cases, as with barley, sugar beet and potatoes, the progress was more pronounced.

Progress was retarded in Austria, since this branch of the national economy was particularly effected by the War and its outcome. Requisition was conducted in Austria on a very large scale during the War, and the social policy followed by the Austrian Governments after the War for quite a long period - when in its desire to satisfy the urban population it imposed price restrictions on agricultural products - was detrimental to agriculture. Apart from these obstacles, agricultural suffered also from the removal of the greater part of the duties on agricultural products, which in pre-war time were considered very high.

The progress was much greater in so far as cattle breeding is concerned - since no official estimates were taken from 1923, when an increase in the number of sheep and goats was noticed as compared with the total in 1910, the last pre-war official statistics an accurate estimation is not possible. The number of cows however, is said by unofficial estimates to have in-

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creased by 25 per cent in the last ten years from 1918 to 1928.

The agricultural policy of the state in post-war years, although in the first few years it was more or less neglected, received considerable attention later. Now that the farming classes feel that their interests are not being neglected, it is more probable that they will increase their efforts to improve conditions in this important branch of the national economy.

Industries of Austria.

Before the War, what is Austria to-day, as part of a large self-contained territory, did not depend too much on foreign countries. Her industries had a large home market, where they not only placed their products, but also found the necessary raw materials. In many respects the industries of Austria could keep pace with the industrial progress made by other countries. This is more true of those industries which require a high standard of manufacture, in which the Austrians could put all their skill. On the whole however, the development of her heavy industries was slower than that of Germany - nevertheless their progress was very marked.

Many industries retained but a part of their equipment in present day Austria. Austria retained less than half the industrial workers and industries of her pre-war days. The statistical office published in March 1925 a table showing the number of workers in the Austrian Republic. Figures were based for the most part on the years 1920-22, and took into consideration only those workers whose wages and hours of work were regulated by the Collective Agreements. According to this publication, the situation was as follows:-

- 1) G. A. Philippoff: Report on industrial and commercial situation of Austria.
- 2) Statistische Nachrichten March 1925.
- 3) See Layton List: Economic situation of Austria.

<u>INDUSTRY.</u>	<u>No. of work- ers employed.</u>	<u>Percentage of total.</u>	<u>Percentage of pre-war days.</u>
Metallurgy.	188.532	21.4	40
Building.	140.541	15.9	35
Clothing.	75.644	9.-	36
Wood.	70.946	8.-	35
Textile.	67.476	7.7	17
Food.	60.397	6.8	
Com.& Trans.	58.413	6.6	
Mining.	52.998	6.-	19
Hotels.	35.659	4.-	
Paper.	30.060	3.4	48
Chemicals.	26.778	3.-	40
Printing.	25.683	2.-	
Stone & Earthenware.	24.537	2.8	
Leather.	13.166	1.5	
Rubber.	5.660	0.6	
Electrical supply.	3.209	0.4	

The total number of workers, however, was considered to be higher by at least 13 per cent 990 thousand, not taking into consideration about 200 thousand clerks and managerial stuff.2)

The most important industry according to the number of workmen employed seems to be the iron industry with its different branches. This is easy to understand when it is remembered that Austria possesses one of the most important iron deposits in Europe. These deposits are situated in Styria and are of the finest quality. This industry was severely handicapped after the War by the lack of coke required for smelting purposes mainly in Bohemia.

The iron industry being in need of coke, which could be obtained only with great difficulties in the first years of peace, passed through a severe crisis. The important Austrian ironworks and machine industries, for long periods, passed through severe shortage of iron and steel, although the country possesses such large quantities. Thus pig iron could be produced only at the rate of one third of what was produced in 1913. Improvement in the iron industry occurred in 1923. The occupation of the Ruhr served as a stimulus to the Austrian producers; but in the year 1924, the depression which marked the European steel industry was felt in Austria also.3.)

1) O.S.Phillpots: Report on industrial and Com.situation of Austria.
2) Statistische Nachrichten March 25th 1925.
3) See Layson List: Economic situation of Austria.

The Engineering industries comprising automobiles, locomotives, electrical industries and the machine industries, are all very important. Different branches at different periods enjoyed prosperity. Just after the War there was a continuous demand for different kinds of industrial articles, but currency depreciation reacted upon them in various ways. While the fall in the value of the crown stimulated exports, these were often made at a loss; since, on the one hand, many customers from the neighbouring countries failed to pay at term, and on the other hand the profits were not real, mainly because of selling on credit and accepting crowns for the sale.

None of the Austrian engineering industries - except for that of motor cars were fully employed after the War -. Competition was more severe in the post-war years, since the Austrian industries had to find outlets abroad, where Czechoslovak and German competition was very severe. These industries were handicapped also by the fact that they lost the indirect protection which was granted to them by the Railway system of the Old Austro-Hungarian Monarchy. The tariff policy of the Austro-Hungarian Railways system was directed not so much towards making the railways pay, but to the assistance of the manufacturing industries.

Still another handicap to the agricultural machinery was the fact that agrarian reform of South Eastern Europe greatly reduced the demand for agricultural implements.

Next in importance to the metallurgical industry, is the textile industry. This was greatly affected by the dislocation brought about by the War. The textile industry was located in different parts of the former Empire. Most of the weaving mills were in the territory appertaining to Czechoslovakia, while most of the Woollen and Spinning plants were left in the present territory of Austria.

Immediately after the War, Austria had to send her yarn to be woven in Czechoslovakia and then to import it back, since some of the finishing processes were to be carried on. In order to avoid this state of affairs, Austria established, in 1925, over 5000 looms; thus, while the looms in Czechoslovakia were idle, fresh capital was invested in Austria in the textile industry.

Although much progress has been made in the textile industry, its situation is not very good, since foreign competition - mostly Czechoslovakia - is keenly felt; and of course the high tariffs of the agricultural countries greatly affected it. Premiums on exports were demanded by the textile industry, but the Government declined to grant them.

1) The Economist, October 1924 1925.
2) The Review of Economic International Relations 1925.

The Timber and Paper Industries.

These industries in Austria are very well organised, as the country possesses such a large area - 37.4 per cent - endowed with forests. The furniture and paper industries are very important. In fact the paper and pulp industries were perhaps the most prosperous industries in the post-war period in Austria. This may be gathered from the following table which shows the production in the years 1921-1928.

	<u>Production in thousands of tons.</u>	
	<u>1921.</u>	<u>1928.</u>
Paper.	127.	230.
Pulp.	129.	311.
Cardboard.	33.	55.

The Timber and paper industry is likely to achieve greater development, since it is one of the most important assets of the country, every effort will be made to increase its productivity; considerable trade is carried on in these products. This industry, in the last few years, has been affected unfavourably by Russian dumping, and the high import taxes imposed by Germany - its most important market - on sawn timber also had bad consequences.

The Food Industry.

This industry is also very important and is steadily increasing in importance. Especially has the milling industry grown, since the tendency to import cereals instead of flour has been observed. The meat industry is also very important.

Rationalisation in Austrian industries has made great progress, but the fear has been expressed that a too rapid action in this direction will result in increased unemployment figures, already very high.

Industry in Austria is passing through a severe crisis, severely hampered as it is by the tariff walls of the neighbouring countries. In the most important industrial branches, such as metallurgy and textiles, never since the War have they reached full employment, as in the pre-war days. This situation is reflected in the great number of unemployed, which varied as follows:-

- 1) The Economist, October 13th 1928.
- 2) The Revue Economique internationale November 1930.

Unemployment.

Maximum. (thousand)

Minimum. (thousands).

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1922 February	33	August	21
1923 "	167	June	92
1924 "	125	"	63
1925 "	192	"	107
1926 "	231	July	150
1927 March	244	September	135
1928 February	230	October	112
1929 March	264	September	101

Thus in a small country like Austria the large figures of unemployed greatly burdens the state finances. Lack of work results in increasing poverty.

Improvement in the economic conditions of Austria might be expected if the attempts to enclose the country into a greater economic area will finally succeed, or if the tariff in the Central European states will be decreased.

While Austria was in the Austro-Hungarian Empire the industry had been able to market their output for the most part within the territories of the Empire. The industries of Austria, in the post-war period, either were in a serious state of idle or else only with great difficulty could they dispose of their products, in face of the high tariff walls erected by the Succession states.

In 1925, it has been estimated that the average level of the Tariffs of Central Europe on Austrian trade was as follows:-

Country.	Percentage Reduction.	Percentage Reduction.
Germany.	14	17
Italy.	10	21
France.	17	23
Czechoslovakia.	21	27
Hungary.	30	30
Poland.	30	37
Yugoslavia.	37	41

It is easy to understand the great difficulties which were encountered by Austria in the first years after the peace, and even to-day, when in the former markets such high tariff duties were imposed on Austrian goods. The rate of the exportable products of Austrian industries probably varies between 25 and 40 per cent, but in some cases it reaches 50 per cent.

1) Figures from the Economic Report on Austria from 1920-1930.
2) The Austrian Year Book for 1929.

The Tariff policy of Austria.

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The chief economic difference between present day Austria and the pre-war Austro-Hungarian Empire is that the new Republic is no longer a self sufficing unit. A small state with a very long frontier line characterised by an unfortunate economic structure; that is Austria of to-day. The country is very greatly dependent on foreign imports. This may be illustrated by the fact that, whereas the average imports per head of population in the Austrian Empire was but 87 gold crowns, the average imports per head amounted to about 260 gold crowns in the first years after the peace. 1)

Being, as she is, dependent on foreign markets to a great extent, she favoured a freer interchange with the outside world. It must be remembered that Austria has to import her foodstuffs and primary materials from abroad. The main task, in the first years after the War, of its leaders was to keep Austria alive.

The dissolution of the Austro-Hungarian Empire had a very bad consequence upon the new Republic. Austria was left after the War with vast industrial equipment, and with no adequate supply of food and raw materials.

While previously in the Austro-Hungarian Empire the industries had been able to market their output for the most part within the territories of the Empire; the industries of Austria, in the post-war period, either were to a certain extent idle or else only with great difficulty could they dispose of their products, in face of the high tariff walls imposed by the Succession states.

In 1925, it has been estimated that the average level of the Tariffs of Central Europe on Austrian trade was as follows:-

<u>Country.</u>	<u>Minimum Estimate.</u>	<u>Maximum Estimate.</u>
Germany.	14	17½
Italy.	16	21
Rumania.	19	23
Czechoslovakia	21¼	30¾
Hungary.	28	40
Poland.	49	67
Jugoslavia.	27	41

It is easy to understand the great difficulties which were encountered by Austria in the first years after the peace, and even to-day, when in the former markets such high tariff duties were imposed on Austrian goods. The rate of the exportable products of Austrian industries probably varies between 35 and 40 per cent, but in some cases it reaches even 90 per cent. 2)

- 1) Layton & Rist. The Economic situation of Austria.
- 2) The Austrian Year Book for 1929.

The leaders of the new Republic realised that by pursuing a freer trade policy, they did not stand to gain too much, since their neighbouring agricultural countries, on the one hand imposed export prohibitions on food and primary materials, and on the other hand they also imposed unipost restrictions on manufactured goods. So Austria herself, compelled by the circumstances which prevailed in Central Europe, introduced trade restrictions: they were, however, mainly introduced for the purpose of bargaining. It is fair to say that in doing so she refrained from exaggerations, and after 1921 trade prohibitions were gradually abolished.

Export prohibitions were applied to feedstuffs, wood, paper, hides - to keep down the domestic market.

As regards imports, the articles which were not prohibited were divided into classes; luxury articles being most highly taxed. Owing however, to the rapid fall in the value of the crown towards the end of 1922, the various surtaxes established for this purpose failed to maintain the pre-war level of tariffs; they represented at times only 2/3rds of the pre-war duties.

The Present Tariff Policy of Austria.

The pre-war Austro-Hungarian Tariff remained in force up till the end of the year 1924; a new tariff was put into force on 1st January 1925.

The guiding principles of this tariff were greater protection to industry, and the reintroduction of the agricultural duties which during the war have been abolished, although the new tariff set afforded greater protection for the majority of imported articles: this protection was not very substantial; the tariff accorded a moderate protection to highly developed industries.

The statistical table completed by the League of Nations in 1925 affords interesting evidence; it shows that Austrian customs rates were on the whole lower than in pre-war days. They amount on the average to 13-15 per cent of the value of articles. If however, manufactured goods alone are taken into consideration, the protection amounted to about 16 per cent.

- 1) Pasvolsky: Economic Nationalism of the Danubian states.
- 2) Hantos Elmar: Politique Commercial era Europe Centrale.
- 2) A number of articles were completely prohibited up to 1924, though exception was made by means of individual import authorisation granted by the Ministry of Commerce.
- 3) The situation was as follows:-

	<u>1913.</u>	<u>1925.</u>	<u>1925.</u>
Germany	12 - 16	17 - 24	27
Czechoslovakia	18 - 22	15 - 16	20

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Since 1925, when Austria adopted a new tariff policy, the trend of development in her commercial policy was towards greater protection. Most notable was the revision of the autumn of 1927 when important changes were made; industry and agriculture benefiting greatly. A new revision in 1930, brought some relief to the agriculturist, more than to any other branches of national economy.

The Commercial-treaty policy played an important role in Austria; the government strove to acquire new outlets for Austria's industrial products, although the advantages which accrued from such arrangements did not meet the country's needs. This applies notable to the treaty arrangements made with the Succession States, since these states were very anxious not to hamper industrial development in their countries, by granting trade facilities to Austria.

The agriculturists in Austria organised themselves, and, after 1925, they were able to express their views in Parliament. Other economic interests were compelled in succession to make greater sacrifices, so as to help agriculture.

The revision of the Tariff Act in 1927, introduced considerable increase in the agrarian Customs duties. In so far as Austria's hands were bound by commercial arrangements for a certain period, she had either to denounce them, or either to obtain the consent of certain countries by granting adequate trade facilities. As by the Revision of the Tariff Act in 1927, duties on corn, flour, and livestock were considerably increased; and she secured it by allowing them to increase certain duties on industrial articles.

The outstanding feature of the commercial arrangements after 1925, was mutual recognition of the striving after higher protective duties. Each of the countries concerned renounced certain concessions and reductions in favour of a generally higher level of duties.

In 1930, as the situation in agriculture became worse owing to the great fall in the prices of agricultural products in the world market, a new revision was effected. By the new revision the Government desired to meet the demands of the farmers, but as the interests of industry had also to be taken into account, the revision resulted in an all round protection. The duty on wheat was greatly increased, and on some other crops, while the tariff also provides for important increases in the duties on textiles and machines.

In order to relieve the agriculturists "import bonds" were issued in respect of exported horses, butter, cheese, grain etc., These, while given to the exporters of specified quantities of agricultural products, might be used in payment of import duty on specified goods, imported by the Vienna cattle and Meat Market, and some agrarian Associations.

These "bonds" are used by other industrial countries also like Czechoslovakia. They were used in Germany before the War, chiefly for the export of rye. They are but disguised bounties; and through them negotiations of commercial treaties are made difficult, since counter measures are taken to nullify their action by the interested countries. They merely stimulate the increase of duties, although the agriculturists favour such a system. The Government will eventually abandon them it seems.

Such then is the tariff policy of the Austrian Republic. While at first she refrained from adopting a rigid protectionist policy, in the face of circumstances she began to adopt a series of measures against which she seriously complained. This applies mainly to the trade restrictions taken immediately after the conclusion of peace.

Gradually this system lost its importance, and she returned to a commercial treaty policy. While in Austria the protectionist movement did not make such headway as did the neighbouring countries, the general trend of economic policy was in favour of greater and greater protection.

The foreign trade of the country has generally increased ever since 1921, with the exception of the years 1922 and 1923, on the whole exports have been considerably higher than imports, as can be seen from the following table:

Year.	Imports.	Exports.	Balance of Trade.	Percentage of Exports to Imports.
1920	2453	1827	1322	54.3
1921	2448	1911	1137	46.2
1922	2530	1600	930	36.4
1923	2763	1634	1129	40.9
1924	2473	1980	1485	59.7
1925	2300	1986	314	13.2
1926	2343	1745	1103	47.1
1927	3171	2097	1174	36.7
1928	3371	2219	1152	33.9
1929	2507	2192	1054	42.0
1930	2742	1875	only for 8 months, from September.	

1) Based on the memorandum submitted by the Austrian Government to the International Economic Conference (Vienna 1926) and on the publication of Austria's Chamber of Commerce for the next three years, while the figures for 1929 are taken from the Monthly Review of General Statistics.

Foreign Trade of Austria.

Austria of to-day is to a much greater extent dependent on foreign trade than was Austria of pre-war days. The fact that small countries are more dependent on exchange has once more been confirmed. Although even before the War the imports of the Austrian Empire were greater than her exports, the post-war period is marked by greater discrepancy between imports and exports.

There are two chief reasons for the constant trade deficit:-

- a) The heavy annual importation of foodstuffs- wheat and cattle especially, to supplement the insufficient national production, and
- b) The large imports of raw materials necessary for her industries.

The foreign trade of the country has steadily increased ever since 1921, with the exception of the year 1926, and on the whole exports have become relatively greater, as may be seen from the following:- 1)

<u>Year.</u>	<u>Imports.</u>	<u>Exports.</u>	<u>(Millions of Tshillings.)</u>	<u>Exports as percentage of imports.</u>
1920	2453	1347	1106	54.9
1921	2448	1311	1139	53.6
1922	2530	1600	930	63.2
1923	2768	1626	1142	58.8
1924	3473	1988	1485	57.2
1925	2905	1986	919	68.4
1926	2845	1745	1100	61.3
1927	3191	2099	1192	65.9
1928	3251	2219	1032	68.2
1929	3267	2192	1084	61.-
1930	2045	1393	only for a period of 9 months from September.	

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- 1) Based on the memorandum submitted by the Austrian Delegation to the International Economic Conference (from 1920-1926) and on the publication of Austria's Chamber of Commerce for the next three years, while the figures for 1929 are based on the Monthly Review of Central Europe.

Austria's foreign trade, from 1920 to 1922 inclusive, is marked by a steady increase, in quantity as in value. This period is particularly marked by the great increase in exports. While in 1920 exports represented but 54.9 per cent of the value of imports, in 1922 they represented 63.2 per cent.

This was the period of inflation and is characterised by the stimulus given to exports. The trade deficit in the year 1922 was comparatively much less than in the preceding two years.

In the following two years, Austrian foreign trade increased but exports in comparison had less share in the countrys' balance of trade since they represented but slightly over half the value of imported goods.

The heavy imports of the year 1924 are attributed to the fact that a new tariff was being contemplated during that year; it was eventually enforced by 1st January 1925. Anticipation of the new tariff accounts for the great increase of the imports in that year.

The imposition of the new tariff of 1925 had an important effect on Austrian foreign trade; it lessened imports and by so doing gave Austria the least deficit of trade balance in the post-war period.

The year 1926 is particularly interesting when reviewing the post-war trade of the country, since it is marked by a decided drop in exports. External motives rather than internal are connected with this fall. The fall in the value of Polish currency, the increase in the customs tariff in the neighboring country of Germany, and the fall of the French Franc, are amongst the most important factors that contributed to the drop in exports.

The next two years are years of economic prosperity; both imports and exports increased in importance and magnitude. The economic depression made itself felt during the year 1929. The total value of foreign trade in that year slightly decreased, and the unfavourable balance increased. In the year 1930 the economic depression was becoming more acute.

The fact that the deficits in the Austrian foreign trade are very marked, on the average they represent over a 1000 million shillings yearly, throws a very unfavourable light on the country's economic structure. Austria is the sole country in Europe, whose exports, compared with her imports, are very small. Austria however, is not like the agricultural countries of Eastern Europe, whose balance of trade weighs so heavily in the balance of payments, and where a marked unfavourable balance of trade might have disastrous consequences for the future of economic development. There are some important sources of revenue, such as the tourist traffic, which for the years 1928 amounted to approximately 250 million shillings, after deducting Austria's expenditure abroad; and there is a growing tendency for tourist traffic to increase in Austria. From 1926 to 1928 there was an increase of about 60 per cent.

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Still another important source of revenue is the intermediary trade and the transit traffic. Vienne, an important banking centre, and connected with Eastern Europe, plays an important role in trade of that part of Europe. History and tradition are still too strong and the importance of Vienne as a trading and commercial centre, even after the war, is still very great. In the year 1928, official estimates put at about 190 million shillings the net revenue derived from these sources; the credit side amounting to about 85 million shillings.

The most important item on the debit side is the deficit in the balance of trade, over 1000 million yearly; and the payment of interests on foreign loans is over 100 million shillings per annum.

The difference between the credit and debit side of the balance of payments was made up by foreign loans and partly by the sale of Austrian holdings in the Succession States.

Character and direction of the Foreign Trade of Austria.

A glance at the composition of Austria's foreign trade will leave no doubt of the industrial character of the country. She is an importer of food and raw materials and an exporter of manufactured articles. If we analyse the composition of her imports, it will be observed that there have been comparatively few important changes in the relative significance of the various groups.

Livestock increased in importance up till 1926, but since then a decline is noticeable. However, while dropping in 1927, they increased again in 1928. The Polish-German Tariff War partially contributed to this increase.

Foodstuffs increased both in imports and value up till 1926, since then a decline has been apparent, particularly in their value.

Raw and semi-manufactured articles, while slightly differing from year to year in value, rose continuously in quantity. This fact shows the steady progress made by the Austrian industry. Manufactured goods, although decreasing both in quantity and value in the years 1926-27, continued to increase in the last two years. Probably the commercial treaties concluded between Austria and Czechoslovakia and the agreement with Germany were not very favourable to Austria.

Exports do not show a very great change in the years under consideration. Their value, in so far as the chief items are concerned - those of manufactured goods and semi-manufactured articles - remained comparatively the same if we take into consideration their quantity. The exports of semi-manufactured

and raw materials, rather than manufactured articles, increased.

In conclusion, it may be said that the agrarian policy of the Austrian state in the last few years could not check the import of livestock and foodstuffs.

According to the geographical distribution of Austrian trade, Germany and Czechoslovakia are the most important countries both for exports and imports. Exports to both of these countries have a tendency to increase, and imports to decline. This fact is viewed with sympathy in the Austrian Republic, since she imports nearly twice as much from them as she exports.

The imposition of higher duties on agricultural products in 1927, decreased the importance which Hungary held in its foreign trade. The relations with Italy have been diminishing in the last few years. She exports less to the Danubian countries, but in contrast imports more from them.

The future development of the Austrian trade depends on the efficiency of her industries and on the tariff policy of the Central European states towards which her trade gravitates.

These provisions remained but "dead letters" since none of the signatory states ratified them; the Conference merely pointed out that the path along which they were moving was not the right one, and that economic isolation was harmful to their interests. Their representatives merely reaffirmed themselves by recognizing the prevailing conditions; that the Government did not think it worth while to follow their advice.

The desperate state of affairs in Austria, with her people ready to co-operate in an economic understanding. In fact, the economic situation during 1931 and 1932 was very desperate. With the purpose of alleviating her precarious situation, she tried to reach some kind of economic "understanding" with her neighbors, particularly before the action of the League of Nations on October 4th 1932, when this organization undertook to give her financial assistance.

As the economic and financial machine of the two countries, Hungary and Austria, was put on a workable basis during the years 1932 and 1934, the idea of economic "understanding" was not lost.

As the economic and financial machine of the two countries, Hungary and Austria, was put on a workable basis during the years 1932 and 1934, the idea of economic "understanding" was not lost.

1) Art. 23 of the Treaty of Commerce and 205 of Treaty of Commerce

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Efforts towards closer economic relations
between the Succession States.

Just as the nationalistic movement in Europe of the 19th century - both as a unifying and disruptive influence - was accompanied by some form of international movement, either in the social, financial or economic sphere, the nationalistic movement of the Succession states in the post-war period was accompanied by several attempts to bring about closer co-operation between. As a matter of fact the peace treaties provided for Austria and Hungary to grant the Allied and Associated powers for a certain period, not only the most-favoured-nation treatment, but certain other advantages. The Allied powers agreed not to ask any special favour which might result from arrangements which may be made by the Austrian or Hungarian Governments between them or with the Czechoslovak state for the affording of a special customs regime to certain natural or manufactured products which either originate in, or come from, those countries.

Owing however, to the circumstances and the feeling which prevailed in the first years of peace in Central Europe, the above-mentioned clause could not be materialised.

The Portorose Conference in 1921, between the representatives of the Succession and Cessionary states, at which Gt. Britain and France were also represented, did much to pave the way towards closer relations; although the provisions of Art. 1. of the "Protocol of Portorose" could not be put into practice. It should be borne in mind that the abolition of imports and export prohibitions was aimed at. The Protocol also provided for the commencement of negotiations in order that commercial treaties, based on more liberal lines, could be concluded.

These provisions remained but "dead letters" since none of the signatory states ratified them; the Conference merely pointed out that the path along which they were moving was not the right one, and that economic isolation was harmful to their interests. - Their representatives merely satisfied themselves by recognising the prevailing conditions; since the Governments did not think it worth while to follow their advice.

The desperate state of affairs in Austria, made her more ready to co-operate in an economic understanding. In fact her economic situation during 1921 and 1922 was very deplorable. With the purpose of alleviating her precarious situation, she tried to reach some kind of economic "rapprochement" with her neighbours, particularly before the action of the League of Nations of October 4th 1922, when this organisation undertook to give her financial assistance.

As the economic and financial machine of the two countries, Hungary and Austria, was put on a workable basis during the years 1922 and 1924, the idea of economic "rapprochement" was not lost

1) Art. 22 of the Treaty of Germain and 205 of Treaty of Trianon.

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sight of; and in 1925 the economic Conference held in Vienna urged the economic co-operation of the Central European States. In this connection Prof: Hantos Elemer put forward a scheme for their co-operation.

This movement became an obsession with important economic and political authorities in every one of the Succession states. It was however, in those countries whose existence depended more on foreign trade that the movement was more pre eminent.

Conviction was stronger in Austria. After her economic reorganisation, the belief that her existence as an independent nation is impossible, seems to have given way to the view that even if possible, it could only be maintained at great sacrifice; involving the lowering of the standard of living of her population. It was this fact that fostered the movement of economic co-operation. Austria has to import almost twice as much as she exports, and that dictated to the Austrian nation a less aggressive protectionism in the post-war years. It was realised by the Austrians that their only salvation lay in co-partnership in a larger economic system, where their industries could place their products, or at least stand a better chance, of obtaining more favourable terms when commercial treaties are concluded.

Because of the political situation of the Succession states, the movement towards better relations and co-operation made but slow progress in the other countries. Unsettled economic and financial questions between them, particularly between the victors and Hungary, rendered the "economic rapprochement" impossible.

The questions of the Hungarian "civilians" or Hungarian citizens, whose property was expropriated by the Succession states, which eventually was solved by the Hague settlement of 1929, did much to retard the movement for better understanding and collaboration between them.

Finally, as this stormy question was eventually solved, so also was the whole question of Eastern reparations settled by the same agreement. The obstacles which stood in the way of mutual collaboration seem to have been for the most part removed.

Political grievances however, on the part of the defeated countries are still too strong.

The victorious states established, as early in 1920-1921, a political organisation known as the "Little Entente" whose chief aim was to preserve peace and order established by the Treaty of Trianon in 1920.

Hopes were expressed that such an arrangement might bring economic co-operation between them; this however, was not materialised. The question of an Economic Little Entente has lately, since 1928, been discussed, but as yet has not been

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embodied in any concrete agreement.

An economic "Little Entente" is very difficult to achieve since the balance between the two parties - Czechoslovakia on one side and Rumania and Yugoslavia on the other - is not very even.

Czechoslovakia could absorb but little of the cereals of the two agrarian states, since if she were to make up her mind not to make very great sacrifices for her agriculture - which is very unlikely - and the industries of Czechoslovakia could not find sufficient markets for their products in the two countries. The situation at present is that Czechoslovakia sells twice as much as she received from the two countries. In such circumstances an agreement is very improbable.

Economic pressure in the last two years has brought the succession states nearer to each other and, as has already been shown, various economic Conferences were held by which a united front was established, at least in so far as concerns questions of vital importance such as the wheat problem.

Economic distress in the last resort very probably will cause countries to realise where their interests lie; and having once realised this they might prove so powerful that no political questions or otherwise will act as deterrents.

The Briand scheme for a "United Europe" is not likely to be realised in the near future, owing to the varied conflicting interests. A less ambitious scheme, that of uniting states which have common interests, is more likely to be materialised; such as the agrarian and industrialised groups of countries in Central Europe - then a collaboration between the two groups. The vital interests of South Eastern Agrarian countries are closely related with Central European industrialised countries. They are their best customers and they are their best sellers. People of Central Europe must hold together if they want to improve their economic relations, and to further their well-being and prosperity.

Owing to political considerations however, greatly economic advantages of such a "Central Europe" closely associated economically, they - at least for the present - do not seem to be strong enough to make a breach between the economic barriers. An understanding between France and Germany at least is necessary, for nothing durable can be achieved unless it is based on a Franco-German agreement.

Post-war Economic Policies.

The essential characteristic of the War economy is the increasing intervention of the State in the national economic activity. The State monopolises almost every economic activity of importance; thus becoming the foundation upon which the whole economic structure of the countries rest. Its activities in some respects may be compared with those of a communistic system of society. It is perhaps no exaggeration to say that the sphere in which its intervention is more felt is that which concerns the production and distribution of food and raw materials. During the Great War, however, it was found that the separate intervention of the various states is not enough, but that a concerted action of the associated Powers is not only desirable but necessary in order to attain greater success in the achievement of the common aim, the defeat of the enemy.

Central bodies were established soon after the outbreak of the War for the purpose of controlling, co-ordinating and directing activities in the economic field of the Allied Powers. Thus, early in August - 13th - 1914, the "Commission Internationale de Ravaillement" was established by the Entente. As time went on, more and more of such bodies were created, and the ties between the Allied and the associated Powers were more and more strengthened. The same measures were taken by the Central Powers, where, with a more restricted area, the scarcity of food was more strongly felt, and the control of food and raw materials even more imperative than to the Allied Powers.

Some of these measures were even to continue after the War. We need only consider in this respect the Economic Conference of the Allies, held in Paris in June 1916.

The chief aim of the Conference was to establish the ties in the economic field between the Allies, for the purpose of opposing the aggressive economic policy of Germany after the War. Their action they said, is justified in view of the intention of the Central Powers to elaborate a plan for the "Purpose of establishing their domination over the production and the market of the whole world, and of imposing on other countries, an intolerable yoke." To counter-balance such action, the representatives of the Allied Governments felt it their duty, on the grounds of necessary and legitimate defence, "to adopt and realise from now onward all measures requisite to secure for themselves, and for the whole of the markets of neutral countries, full economic independence and respect for sound commercial practice".¹⁾

Important resolutions were carried out and approved of by the Conference, providing:-

a) Measures for the period of the War.

1) Resolutions of the Paris Conference

- b) transitory measures for the period of reconstruction.
- c) permanent measures of mutual assistance and collaboration among the Allies.

Soon after the War, the economic solidarity between the Allies was broken, and this was rendered possible not only by the frictions between the Allied and Associated Powers, but by the intervention of America. In his message of January 8th 1919, President Wilson, in his famous fourteen points, stipulated:-

"The removal, so far as possible of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace, and associating themselves for its maintenance". It should be mentioned that these fourteen points were accepted with certain modifications by the Allies as the basis for the final peace; thus in principle subscribing to the above-mentioned point. But at the Peace Conference, there were important discussions around the great principles of world trade, namely :-

- a) The right of access to raw materials.
- b) The freedom of transit.
- c) The equality of trade conditions.

Two economic tendencies may be distinguished at the Peace Conference; one representing liberal tendencies sustained by the Anglo-Saxon countries, the other in favour of restrictions by the Latin countries. The interests of the various countries composing the victorious powers were different. The Latin countries such as Italy, and most especially France, suffered comparatively more material destruction during the War than did the other Powers, and they held that at least for a certain time during the period of reconstruction they should be granted special advantages in trade matters, as compared with ex-enemies countries. The French delegates pointed out that while the equal treatment is ideal in theory, it is sometimes disadvantageous in practice. They brought up their own case, with the experiment of the Treaty of Frankfurt, in the most-favoured-nation treatment, but they laid special stress on the fact that equal treatment for the period of reconstruction would mean a disadvantage for the countries whose industries were destroyed during the War. As a consequence of the prolonged discussions, a compromise was finally reached. President Wilson agreed in the end to change the "equal treatment" to "equitable treatment", when the foundations of the Covenant of the League of Nations were laid down; and the French delegates succeeded in obtaining special advantages for the regions devastated during the War.

The peace treaties did not provide, however, for a common (claim.

- 1) The third of the fourteen points. (the most-favoured-nation
- 2) Prof: Hauser: International Economic Review(a plea against

action and common economic policy. Thus, when the War was over, there was no common plan for the reconstruction of Europe. A single exception might be mentioned; in the case of some of the succession states, at the suggestion of the U.S. delegates, in the treaties of Trianon and St. Germain, provisions were made for the establishment of close economic relations between Austria, Hungary and Czechoslovakia. It should be observed that this clause in practice did not amount to a great deal, since the countries concerned did not show their willingness to conclude special arrangements. There has been only one attempt to translate it into practice between Austria and Czechoslovakia; by the end of the period nevertheless it may be said to have contributed towards the discussion of closer economic ties between the succession states, opening the way for the Portoroze Conference.

While in the case of Germany, the Allies enforced the most-favoured-nation-clause for a period of five years without equivalence, in the case of Austria and Hungary the Allies while providing the same period, agreed to make the two last years of the compulsory most-favoured-nation condition upon reciprocity. In short, peace treaties provided for unilateral most-favoured-nation-treatment in the case of Austria and Hungary for a period of three years only, the remaining two years they were free to grant as they liked the most-favoured-nation clause according as they receive the same treatment from any of the Allied Powers.

In the Peace negotiations the idea of an International Tariff Commission to supervise such matters as unfair competition, discrimination in Customs duties, dumping etc., was envisaged by the U.S. delegates, and unofficially discussed, without however, any results.

In summing up the achievements of the Peace Conference in the field of economics, it may be said that the Peace treaties did not provide important measures for economic reconstruction of Europe, and that the principles which nevertheless were laid down were vague, thus giving way to misapprehension.

1) Notwithstanding the provisions of Art 217 to 220, the Allied and Associated Powers agree that they will not invoke this provision to secure the advantage of any arrangements which may be made by the Austrian Government with the Government of Hungary and Czechoslovakia for the accord of a special custom regime to certain natural or manufactured products which both originate in and come from those countries, and which shall be specified in the arrangements, provided that the duration of these arrangements does not exceed a period of five years from the coming into force of the present treaty.

The League of Nations.

The idea of a political organisation of the World materialised in the Covenant of the League of Nations on 10th January 1920. The only reference to economic problems made at that time was the provision incorporated into Art. 23 of the Covenant, which says.....

"the members of the League..... will make provision to secure and maintain..... equitable treatment for the commerce of all members of the League. In this connection the special necessities of the regions devastated during the War of 1914-1918 shall be borne in mind. But the chief aim of the Covenant of the League of Nations is..... to develop co-operation between the nations and..... to achieve the peace and security". This is the most important task for which the League was founded.

History shows that economic factors have always been an element in the complex of conditions making for War. This was fully realised by the promoters of the League when they recognised that economic rivalries were an abundant source of modern war. Passions are incited and various projects given way to; eventually causing War. "A Peace which does not exclude them is an unjust and insincere peace."¹⁾ In spite of this realisation, the founders of the League succeeded in formulating only a very vague principle concerning economic matters, but by providing these, it paved the way towards a better understanding; and the origin of the international economic action which proved of such great value in the post-war years - and may even be more important in future - can be traced to the foundation of the Covenant of the League of Nations.

The economic activity of the League commences with the Brussels Conference. In September 1930, on the initiative of the League of Nations, the experts of various nations gathered at Brussels to examine the financial situation of the World. Its task was to define the condition in which the Old Continent stands as regards financial matters, and to find the necessary remedies. It was composed of experts; its members though delegated by various Governments, were not Government representatives. The Conference is important from the other point of view too, since it was the first in which delegates of the belligerent countries, as well as those of neutral countries, were making a common effort to find the remedies for the financial distress in which Europe had been thrown.

It laid down the principles which should guide the Government in restoring their finances, monetary circulation and exchange, their international commerce and credit.

1) Wilson. Speech. New York. September 1918.

Though its activities were concentrated upon financial matters and other economic problems, such as transit and trade which were excluded from its agenda, the Conference found it necessary to discuss many other questions, in so far as they were mingled with the questions of public finance. Thus the Conference appointed a Trade Committee, whose task was to consider the questions connected with international trade, and it was this Committee that first raised the question of internal commercial liberty, and recommended the abolition of state control. In its resolutions it insisted that improvement of the financial position largely depends upon the general "restoration as soon as possible of the goodwill between the various nations".

The Conference, recommending that the temporary Committee which functioned at the League of Nations should be replaced by a Financial and Economic Commission, gave way to the permanent International Organisation, which exists to-day.

The second important Conference patronised by the League, was the Barcelona Conference, whose task was to consider the measures to be taken by the Members of the League in complying with the provisions of Art 23 of the Covenant. This concerns freedom of communications and transit. The Conference was held in 1921, and stipulated the measures to be adopted by the states for the purpose of facilitating international transit on land and waterways. The Conference also called the attention of the League Council "to the desirability of defining as soon as possible such principles as would assure equitable treatment of commerce".

In the following year, another Conference was called at Genoa from 9th April to May 1922; it dealt chiefly with the economic problems created by the War and its aftermath, and carried important resolutions as regards international commerce, credit and labour.

1) In its resolutions, it stated:-

- a) That peace and the assurance of its continuance were necessary for the development of trade.
- b) There is necessity for restoration of goodwill, and at the request of the British delegates it repeated the declaration of the Supreme Council of March 8th, in which the Council made an appeal to the States of Central Europe to slacken their economic nationalism. This was made with the observation that the British Bankers, while this economic nationalism is in vogue, will not grant loans to restore their public finances.
- c) Recommended that freedom of Commerce which prevailed before the War, and at the request of the Italian delegates made appeal to the nations to withdraw the artificial restrictions and discriminations of price against external trade.

These important resolutions, while not having complete freedom of action, did much to create a more favourable atmosphere for a better understanding between the nations of Europe. It should be noted that the situation Central Europe, especially in 1920, was considered very grave. The Supreme Council of the Allies, recommended - as has already been mentioned - on March 8th that "the states which have been created or enlarged as a result of the War should at once re-establish full and friendly co-operation, and arrange for the unrestricted inter-change of commodities, in order that the essential unity of European economic life may not be impaired by the erection of artificial economic barriers."

Still another difficulty arose from the fact that the sovereignty of the states is sacred, and could not be defiled without serious consequences. No international organisation nor the League of Nations has any power to interfere with the domestic affairs of various states.

The World Economic Conference.

Before the War, international economic life was based upon an economic policy essentially different in character from that followed after the War. The disorganisation and dislocation caused by the War affected the economic policies, giving way to rigid governmental measures, which considerably hampered international relations. To bring about a better understanding, to bring the nations closer to each other, it was thought necessary to call an International Meeting which should discover and consider the reasons which retard the healthy development of the world's economy.

What was done in this direction soon after the War has already been mentioned, but at that time the purely financial sphere was the greatest obstacle in the way of reconstruction. The most important impediment to resumption of friendly relations may be said to have been the fluctuation in the value of national currencies; they dominated the first stage of the economic recovery of Europe, and though temporary in character, they largely obscured the more permanent factors in the way of international trade and rehabilitation of the countries ravaged by the War. There were certainly some other reasons too, either of sentimental or economic nature.

By 1925 the national currencies were approaching their stabilisation, and almost in every country the fluctuations in currencies were, if not altogether stopped, certainly very much diminished. The States could have at least a sound basis for their budgets, since it is recognised that no economic recovery can take place without a healthy financial structure. As the currencies were more or less stable by that time, the other impediments in the way of reconstruction became more evident.

Nationalistic feelings too, were more temperate; the nations were slowly getting accustomed to the new situations created by the War and their hatred towards each other was waning, making way for better feelings, so that the atmosphere was, if not entirely changed, at least more favourable for joint action in the matter of improving mutual relations. The unilateral commercial treaties between the victorious and the defeated nations were coming to an end by 1925, and the discriminations in the interplay of bilateral negotiations were gradually disappearing.

It was in these circumstances that the French delegate, Mr. Loucheur, at the sixth Assembly proposed the convocation of an International Conference. The proposal was almost unanimously agreed to, and in its resolution of September 24th 1925, the Assembly decided its convocation "considering that economic peace is an important factor which contributes to the security of the nations".

As such, the Assembly decided to "investigate the economic difficulties which stand in the way of the revival of general prosperity, and of ascertaining the best means of overcoming these difficulties and of preventing disputes". It is sufficient to note the observation of the Belgian delegate, who pointed out that the actual state of affairs created by the War, prepares for War. The states are organising themselves economically which is a preparation for future Wars.

On the basis of the resolutions of the sixth Assembly, the Council constituted the preparatory Committee, whose task was to advise as to the composition, agenda, dates of the Conference. The Committee was formed of 35 experts representing 22 nations. Its work was remarkable, being the result of such a select corps. The work of preparation took over one year, and was very comprehensive, since it touched upon almost every field of economic activity. Its studies were embodied in 57 Reports, which formed the basis for the study of particular problems. Apart from these experts, many important international organisations co-operated.

The studies of the Preparatory Committee, as the Conference observed "present a picture of the economic conditions of the World with a fullness and authority which has probably never hitherto been attained".

The World Economic Conference was held in Geneva from 7th May to 23rd May 1927. It made the most elaborate and ambitious attempts, as Sir A. Salter remarked, to "examine and seek remedies for the various obstacles which stand in the way, thus retarding the growth of human prosperity." While the field of inquiries of the previous Conference with international character was limited, no such impediments were put in the way of this Conference.

It consisted of 194 delegates and 157 experts from 50 states, members and non-members alike. The delegates and experts, though most of them nominated by the various governments, were not representatives of them; and on the other hand their suggestions and recommendations did not bind the respective governments. Apart from these Government nominees, there were delegates and experts nominated by the Council, or by certain International organisations designated by the Council, such as the International Chamber of Commerce, International Labour Office, International Institute of Agriculture and the International Co-operative Alliance.

The body thus formed represented the exclusive circle formed by University Professors, distinguished business men, bankers, agriculturists, industrialists, etc.,

The object of the Conference.

The object of the Conference was a two-fold one; it strove to consolidate Peace and Prosperity.

It has been mentioned before that the fundamental idea on which the whole structure of the Covenant of the League of Nations is based, is the idea of peace. This idea is the ideal towards which humanity is striving. Serious attempts have been made in the past, and will surely be made in the future too, to achieve this goal, but the task of the present generation is to make it easier for the future generations by contributing with all its powers towards the achievement of this ideal.

There are so many conflicting interests in this society of ours, but by dividing the field, limiting the sphere of action, these conflicts can better be fought. It has been realised that economic problems played an important role in the promotion of the World War, and while the military hostilities ceased with the peace settlement, the warfare continued with increasing strength on the economic field. The passions aroused by the great havoc were far from being quelled, and mankind, instead of contributing to the peace, was paving the way for future wars.

This permanent state of war on the economic field aroused a reaction. The Conferences of Brussels, Porto-Rosa and Genoa are the witnesses of this counter-action.

But if it is to succeed in its efforts to consolidate world peace and prevent the recurrence of another world war, peace must be definitely organised; and with all the means at the disposal of mankind, every form of useful international co-operation should be encouraged. This was fully realised by the Conference, when it stated that the Economic Conference should not be regarded as an isolated event, but as a stage in the continuous work of international co-operation in the economic sphere.

As long as the chaotic situation, inherited from the War, could not be advantageously settled, there could never be lasting peace. Until every nation of the world should become conscious that the well-being of the people cannot be attained by the impoverishment of its neighbours, there is very little hope that the machinery set up to prevent War, will attain its success. "Peace, security, disarmament, arbitration - the prime objects to which the machinery of our new internationalism at Geneva and elsewhere is directed - are quite unattainable unless accompanied by a virtual abandonment of exclusive national economic policies, and here we come to the idea of the economic interdependence of the nations." 4/ The advantages bestowed upon the nations by their international relations and Commerce are

1) J.A.Hobson: Wealth and life.

granted only when every nation is included. Only a very primitive tribe can supply all its necessities within its own territory; but with the growth of civilisation, interdependence has become more and more prominent, and there is scarcely any nation in the world which has no relation outside its territory. The more advanced a country is towards industrialisation, the more it depends upon a number of raw materials and products which are outside the national territory; coal, oil, iron cotton, to mention but a few materials, are indispensable to modern industry.

Now every nation has recognised this fact, but it is always to be feared that under the disguise of internationalism the more powerful nations will accrue almost all, or the greatest part, of the advantages, and history shows that in many cases independence has been lost when debtor countries could not meet their obligations. It is this fact that causes the weakest organised nations to regard with distrust this movement of internationalism. But there is still another point to be considered, as M. Eulenburg pointed out; "What is tragic in the national will is that, without growing solidarity of the World's economic interests it cannot bring about the development of its production forces". What would have become of U.S.A. if they had not had the financial support of Europe? They would have had never achieved their material well-being of to-day.

The task before any organisation which tends to promote peace is, that between these conflicting ideas, a compromise should be reached, since the new capitalism of dynamic wealth under which the modern world is organised as Mr. Romier noticed "exists only in so far as it circulates among all, and all in turn aid and hasten its movement". 2

The idea of economic solidarism was accentuated by the Conference. The economic inter-relations between various nations of modern times are of such a nature that economic prosperity must rise or fall as a whole. If the World's economy is constituted by the sums of national economic activities, depending on each other and having need for each other, then the solidarity of this World's economy cannot be better illustrated than by the fact that economic crises are universal and are felt simultaneously by the various nations. The fall of prices in cereals affects not only the agrarian states, but also the industrial states of Europe.

The inter-dependence of the component parts of the World's economy is more and more characteristic of modern times. Only a few decades ago, not only were many states almost independent, but there were many district, or even villages confined within the borders of a state self-sufficiency; but with the advance of modern science, means of communication etc., these are things of the past.

1/ M. Eulenburg: Die Handelspolitischen Ideen der Nachkriegszeit. Weltwirtschafts Archiv.
L. Romier: Wo will be master Europe or America.

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This inter-dependence has been clearly shown by the various international Conferences of the last decade which were but stages in the way of attaining world economy. It should be mentioned that a recent writer defines this policy of world economy as being "the peaceful victory of the democratic principle of the co-ordination and co-operation of the different unities of the national economy delimited from the political point of view". 1)

This idea of economic solidarism is making headway; and day by day the nations are realising that their well-being depends on that of their neighbours, and their national interest is better served if their relations are multiplied. This, however, implies a total change of actual moral conditions. It should be realised that this is only possible if a new sense of respect for human personality, together with a determination to treat one another as ends rather than means, is adopted by every nation. Only in this way is it possible to break down the barriers of misunderstanding and distrust which are important impediments to the advance of society.

The findings of the World Economic Conference.

The agenda of the Conference was prepared with special care. In the first place it provided for a general discussion of the economic situation, both from the point of view of world peace and of world prosperity.

After a few days of examination in the plenary session of the general features of world economy, the Conference divided itself into three Committees:-

- a) Commerce.
- b) Industry.
- c) Agriculture.

Each subdivision included specialists and various nations; so that in itself it was a little international Conference.

The main achievement of the Conference, and the central skeleton around which the discussions were entertained, was that which concerns International Trade.

Tariff questions received special attention. From the beginning, the Conference "deliberately and wisely" abandoned the principle issue as that between free trade and protection. They plainly demonstrated that it was not free trade that they were aiming to achieve, but freer trade.

Thus it was recognised that, whatever may be the theoretical principles as regards this issue, the fact remains that under special circumstances, protection is advantageous in a certain degree to the countries which adopt it.

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It was wise too, since practical results could not have been achieved without this recognition: it is utopian to believe that the less advanced countries will give up the fostering of their industries, more especially of those which enjoy, more or less, natural advantages and also of those in which concern national defence.

Only in special circumstances, when these countries are assured that their national integrity is preserved, and other advantages will accrue in the nature of credits etc., can they renounce the artificial nourishment of their infant industries.

The fact that the actual barriers are generally an impediment to the natural development of the international trade was unanimously admitted by the Conference.

In spite of the variety of questions raised, the diversity of theories and the legitimate national sentiments of all those who took part in the discussion, an important and extremely encouraging fact has emerged, and having emerged, has become increasingly manifest.

Then the Conference proceeded to analyse the facts into detail, and came to the following conclusions:-

- a) High and constantly changing tariffs have a very harmful influence on production and trade.
- b) That the situation could only be improved if facilities for trade and commerce were granted by various nations.
- c) That although the tariffs are a matter of the sovereignty of the states, ultimately they are not a matter of a policy of domestic interests only.
- d) And finally is the remark that "the Conference notes with satisfaction that some of the more injurious forms of obstruction that prevailed immediately after the War have been removed". To this fact must be attributed in part the recovery of the World trade which has so far been achieved.

The main conclusion of the Conference is "that the time has come to put an end to the increase in tariffs, and to move in the opposite direction". It does not matter what were the chief reasons which compelled the various states to adopt their actual policy. No matter what justification may be brought forward, it is insufficient to explain satisfactorily the sacrifices made by the various classes of society, manufacturers, industrialists and consumers alike.

An increase in the actual exports is preferable in all

circumstances to the restriction of imports, which prevails to-day. In increasing the prices in the interior of the country by these measures, the power of buying is diminished, and also the production of a country. It also remarked that in certain cases the actual restrictive policy is practised with the view of making "dumping" impossible; which likewise is a course of action very open to condemnation.

To achieve general prosperity there is need of complete change of policy which has prevailed since the War, and in this respect the following measures are recommended:-

- a) Immediate and independent action in reducing the tariffs by the separate states.
- b) Bilateral action through the conclusion of commercial treaties.
- c) Collective action by means of an enquiry with a view to encouraging the expansion of international trade on an equitable basis by removing or lowering the barriers to international trade which are set up by excessive customs tariffs.

The Commercial treaty concluded on 17th August 1927 between France and Germany marked the beginning of this new era; since the commercial policy of the two great nations influences the trend of policy pursued by the less important countries of Europe.

Along with the conclusion of these treaties, various reductions were granted of the general tariff duties, and the significant feature of these treaties was the apparently new additional granting of "most-favoured-nation clauses".

The weak point of these treaties was that they were concluded only for short periods thus lacking stability.

The short period for which existing commercial treaties are usually concluded is one of the main causes of the economic uneasiness of Europe. Frequent negotiations between countries hamper the normal flow of trade between them, creates uncertainty, and thus aggravates the existing economic chaos. The modern methods of production-given the certainty of assured markets and large consumption-enable the manufacturer gradually to diminish the prices. Stability is therefore advantageous not only to the producer but also to the consumer.

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Autonomous and bilateral action for the lowering of
the Tariff barriers.

The recommendations of the Economic Conference of 1927 were but partially followed by the Nations. In so far as individual action for lowering of the tariff walls was concerned, few countries took action to lower their tariffs, although it seemed as if there was a general desire to do so in the year 1927.

The consultative Committee of the League of Nations, in May 1928, charged to follow the application of the recommendations laid down by the Economic Conference indeed expressed the view that the highest levels seem to have been reached in tariff matters, and the tide has begun to turn in the opposite direction.

But as regards bilateral action for the lowering of the tariff walls, the situation was indeed more promising. The years 1927 and 1928 were marked by a particularly larger number of commercial treaties and agreements among the European countries.

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There is nothing more important to the developement of the international trade, than stability. This should always be kept in mind, since in the long run the trade could accomodate itself even with high tariffs, but in the face of constantly changing economic barriers or trade agreements the business man is helpless.

These unstable conditions have hampered the natural evolution of the economic life of European Continent.

How great these obstacles were it can be gathered from the fact that although here in Europe production has greatly increased, so that by 1925 it reached the pre-war level, international trade has lagged behind; and it was only by 1929 that the actual volume of international trade in Europe succeeded in reaching and even surpassing the pre-war level. This however compared with the pre-war developement of international trade is but a meagre result, when we have in view that prior ~~to the war~~ to the war the volume of international trade increased much more rapidly.

The introduction of the most favoured nation clause particularly after 1927, although with some limitations —since as a rule, always there are certain exceptions stipulated for— has led to some reduction in the existing tariffs. The general crisis, which became acute during ~~the~~ the last two years has induced several countries to revive the protectionist measures, which seemed to relax after 1927 and increases in customs duties, subsidies, compulsory utilisation of home products etc. are the various means by which the countries try to alleviate the effects of the general crisis.

Thus, in conclusions it may be said that the hopes which were entertained in 1927, at the World Economic Conference did not materialise but partially and tariff reductions were granted but by few countries when concluding commercial treaties. In most of these treaties tariff agreements were provided together with the most favoured nation clause but as a rule they were of a short duration. The reasons why so little advance has been made in this direction must be sought partly in the economic depression and partly in the political mistrust which still exist after eleven years of peace.

- 1.) League of Nations: Commission of Enquiry for European Union,
C. 510. M. 215, 1931.

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Tariff Truce.

At the tenth Assembly of the League of Nations, when the idea of a U.S. of Europe was unofficially discussed, Mr. Hymann, the Belgian delegate, proposed an "economic disarmament". The British Prime Minister, after condemning tariffs between producers and consumers - which in his view were not justified by the experience of the World up to the present - stated "under tariffs we have poverty, low wages, unemployment, class conflicts, just as much as we have under a sort of disorganised free trade", and Mr. Graham, in an important speech, pointed out the advantages of a large free trade area, where the inhabitants freely exchange their goods, giving an example of U.S.A. He also stressed the importance of the producers' associations, and the advantages of cartels and trusts, on conditions that their organisers did not abuse their monopoly to the detriment of the consumer. He further agreed that these producers' organisations can, to a certain extent, render tariffs useless, though for the moment, these organisations were not complete and of universal character. In such circumstances, he considered that the best means to stop, and to move in an opposite direction the increasing tariffs, would be a truce for two years; at the same time he suggested the convocation of a Conference to consider the lowering of tariffs, either by groups of commodities or for all goods.

The intention of the proposal made by the President of the Board of Trade of Great Britain, and adopted by the League Assembly in September 1929, was not to stabilise tariffs at their existing level, but to afford a temporary respite from increases or threatened increases of them. The idea thus, was to create a favourable atmosphere, and a stable one, in order to pursue the aim of negotiating for reductions of tariffs, and thus to achieve the ends proposed by the World Economic Conference of 1927.

It was only a primary step towards the goal, and as such it was decided -

- a) That by the end of the year, the states should notify whether they were disposed to enter into an agreement for stabilising their tariffs.
- b) The Economic Committee was charged to present any project which would serve for discussion.

According to the replies received, the Council of the League of Nations should decide whether the Conference for a tariff truce should be called. Once the Tariff Truce was agreed upon, negotiations would be opened between the states which had agreed

- 1) Probably the British Prime Minister had in view the organisation of the economic life of the country on socialistic principles.

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to discuss the reduction of tariffs, as the resolution of the League states - "with a view to the conclusion of collective agreements tending to facilitate economic relations by all means that may appear practical, more especially by the reduction of trade barriers".

Finally, a Diplomatic Conference, to which should be invited all States without distinction should record the results of these negotiations, consider, and if necessary, complete them.

To Belgium and Great Britain's proposal joined the German and French delegates; this latter making the remark that in his Government's view, the truce was not an aim but a means, the chief task being accomplished by the negotiations which would take place ultimately. He also made certain reservations, stating that some exceptions to the proposed tariff holiday were necessary, namely, those which may be rendered essential to safeguard the national interests "en cas des circonstances extraordinaires et imprevues"; and some particular exceptions as regards certain essential agricultural products, for which the Government in the absence of international agreements to equilibrate the production and divide the markets, is bound to envisage a certain increase of the protecting duties.

By the end of the year, replies were forthcoming from almost every Government. It should be noted that Europe as a whole was favourable to such a Conference since, with the exception of Albania, which did not reply, every Government agreed to send its delegates to the proposed Conference. The situation, as regards the countries outside Europe, was quite different. Japan and Cuba were the only non-European countries who accepted the invitation to the Conference, and two others agreed to send observers.

Almost all the others, if not openly in opposition, declined the invitation to send delegates; it should be noted that the British Dominions were among the latter. In such circumstances, the Council of the League of Nations fixed February 17th as the date for the proposed Conference on the Tariff Truce.

Already at the tenth Assembly of the League of Nations it was realised that the solution of such economic questions, on which a general improvement on world economic relations depended, should not merely be left in the hands of technical experts, but that the Governments themselves must take an effective part in their solution and must act directly themselves. However great the skill of those experts in tackling such problems, if their solutions could not be enforced, their efforts were, in most cases, in vain; they are, in a certain measure, partial, since they are concerned with the interests of the industry or trade to which they belong. Such being the case, the opinion of an impartial body, which at the same time has the power to enforce the discussion was desired, and this could be achieved by the Governments

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which represent all the interests of society, and are in a position to impose some concessions, and even more sacrifices on certain branches of production or industry if necessary, to obtain advantages for other branches.

This fact was more fully realised by the "rapporteur" of the subjects Dr. von Schubert when he laid stress on the following:-

"Although the importance of the principles laid down by the World Economic Conference, and the great value of the Economic Committee's work are beyond all question, experience has shown that the work of experts, however, distinguished, suffers from certain limitations, which can only be overcome by certain stimulus from more responsible quarters".

"I am therefore, glad to inform you that a considerable number of Governments intend to be represented at the Conference by the Ministers concerned".

"I am sure that not only at this first Conference, but in the long subsequent period of important and difficult negotiations, it is essential that the Ministers concerned in the different countries should arrange to keep as closely in personal touch with the economic work of the League as Ministers for foreign affairs do with its political work". //

At the time of the Conference the atmosphere for the Tariff Truce was not very favourable, notwithstanding the fact that the European countries had consented to send their delegates. The various Governments had sought to bring the tariff policy of the countries concerned more or less in accordance with the various interests of the organisations representing either industry or agriculture. Plainly most of the countries were more addicted to protection than ever. If we take as authentic the data of the Polish Institute of Exportation, on the Eve of the opening of the Diplomatic Conference on 17th February, the situation was as follows:- twelve countries were elaborating new tariffs; twenty-two states had already made some increase in their tariffs with a view to increasing the protection of certain industrial articles; and thirty-two states had taken various measures to restrict importation, thus according an indirect protection to their industries.

On the other hand, the various interests in almost every country, which were directly concerned with the tariff policy of their country, made protests to the Government, opposing the Tariff Truce.

The Manchester Chamber of Commerce at that time expressed through its Board the opposition to the removal of the silk

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and McKenna duties, on the grounds "that we cannot afford such disturbance to trade". The London Chamber of Commerce expressed itself against the Tariff Truce, and much the same was the opinion of the English National Committee for the International Chamber of Commerce, which saw the Tariff Truce in the light of a limitation of the possibility of exercising British influence in favour of a general reduction of tariffs; it was stated that it would prejudice the development of Imperial commerce, and would be an obstacle to the problem of unemployment.

In France, the situation was much similar; and it should be noted that the Economic Committee of the League accepted the French project for the proposed Conference on the Tariff Truce, which made certain reservations, giving adequate guarantees to certain particular interests (i.e. agriculture). Here also, most of the Chambers of Commerce, as the French National Committee for the International Chamber of Commerce, the Federation of the Agricultural Societies of the North of France etc., were against the proposed Tariff Truce. Not greatly different was the atmosphere in the other countries, more especially in the essentially agricultural countries where industry is but little developed and can only maintain its position on the national market by the help of the existing tariffs, ranging from 10 per cent to over 40 per cent of the value of imported articles. Any lowering of the Tariffs in these countries would have as an effect to throw them open to competition, which in many cases they could not stand; as a consequence, a considerable loss would be inflicted on certain branches of industry.

Opposition was raised in Parliaments, and in various articles in Reviews and the Press. M. Gignov, in the "Journal Industrielle" made the observation that the Tariff Truce was proposed by those industries states whose commercial policy "par essence et naturellement liberale"; such are Belgium and Great Britain which need outlets for its industrial exports. He also stated that if the French delegation approved of the idea in September 1929 at Geneva, it was "de toute évidence pour produire un effet politique et sans qu'elle s'arrêtât comme ses interlocuteurs à des considérations économiques".

could be attained. The Wall Street collapse, and its repercussions upon the economic position of Europe, the American crisis, which had since been aggravated, rendered it impossible to stabilize the existing tariffs at their actual level, even for such a short period as the two years contemplated. If it was impossible to consolidate the tariffs in their entirety, some more moderate plan should be sought, and these they should be consolidated partially by commercial treaties. The principle of the basis of the Tariff Truce idea, that of the organization of a European economic equilibrium, would not be lost sight of. Meanwhile, the work of the Commission for uniform customs nomenclature was to be continued, since it was only by the achievement of this uniformity in tariff matters, that a comparison of the actual

The preliminary Conference.

The Conference was begun on 17th February 1929 and lasted to 24th March 1929. Its object was to stabilise tariffs at their existing level for a period of two or three years; meanwhile negotiations would have to be carried on between the states with a view to facilitating economic relations by all practicable means. Special care should be taken to reduce hindrances to trade:-

Three sub-committees were appointed:-

- a) For the examination of the articles of the draft convention immediately or remotely concerning exceptions.
- b) For the examination of the articles concerning trade hindrances.
- c) For the examination of the articles concerning the relation of the draft Tariff Truce Convention to bilateral most-favoured-nation treaties.

After the usual speeches in which the delegates were very reserved as regards the possibility of a Tariff Truce, they nevertheless expressed their opinion that remembering the importance of the Conference, the members by which the various States were represented, should achieve positive results.

Soon it was realised that there were few countries which accept the Tariff Truce idea without reservation. Most of them made certain reservations, depending upon the approval of other countries. Their approval was thus only conditionally and many other exceptions were expressed. Italy, Spain and Portugal were definitely opposed to the idea. Some delay was caused by France in stating her point of view, and when it did come, it was anything but favourable. The French Minister of Commerce "showed an inclination towards everything but tariff reduction". He advocated non-tariff conventions. The delegation, Mr. Serruys said, was to fight against the principle, as the situation has completely changed since September, when it gave evidence towards the idea that by concerted economic action, economic stability would be attained. The Wall Street collapse, and its repercussions upon the economic position of Europe, the Agrarian crisis, which had since been aggravated, rendered it impossible to stabilise the existing tariffs at their actual level, even for such a short period as the two years contemplated. If it was impossible to consolidate the tariffs in their entirety, some more modest plan should be sought, and thus they should be consolidated partially by commercial treaties. The principle at the base of the Tariff Truce idea, that of the organisation of a European economic equilibrium, would not be lost sight of. Meanwhile, the work of the Commission for uniform customs nomenclature was to be continued, since it was only by the achievement of this uniformity in tariff matters, that a comparison of the level

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of the tariffs was possible.

In such circumstances, and in view of the opposition of the two great European Powers, the Conference had to consider its position, and decided that if it were not to collapse completely, its task should be limited to more modest activities. Great Britain's delegate on this occasion warned the Conference that any failure of their would have very important consequences; as even in the free trade countries, the protectionist sentiment would be strengthened; and that a general reversal to trade barriers would aggravate the existing difficulties and such a policy was surely not in the interests of Europe. The Belgian delegate did his best to remind the Conference of the grave danger in which European economy would be placed if the Assembly closed without any fruitful event.

Two projects were presented to the Economic Committee, one by Mr. Trendelenburg, and the other by Mr. Serruys. The first project was the more rigid in form, since it provided that the states could raise their tariffs on a certain number of articles to be fixed by the Conference itself, and only up to a certain date. The second project was more liberal, since it gave the states more liberty of action; the exceptions were not enumerated, neither were they to be fixed by the Conference, but rather by the states themselves "who can adopt tariff measures of exceptional character in cases of crisis which interest the essential elements of their economic life". Various cases were given as examples such as - strikes, public insecurity, monetary troubles, deficitary trade balances etc., In any of these cases the States had the choice of taking any measures which they thought necessary in tariff matters. There were also provided certain exceptions of technical character, such as the right to replace a specific duty by one of "ad valorem", and of changing the customs nomenclature etc., It was this second project which was retained by the Economic Committee and presented to the Conference in the Spring of 1930, after some modifications had been made.

The Preliminary Conference for Concerted Economic Action reached its final stage by March 1930, after 5 weeks of laborious talking. Its original object was not fully attained, owing to the attitude of some leading European Powers, and it was chiefly due to the efforts of Mr. Graham, the British Delegate, that it was not altogether wrecked, and that something was finally achieved. Three important texts were submitted for the signature of the participating states.

a) Commercial Convention, signed by Austria, Belgium, Great Britain, Estonia Finland, France, Germany, Holland, Luxembourg, Switzerland.

b) Protocol on future negotiations, signed by the above-mentioned states plus Latvia, Lithuania and Portugal.

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c) Final Act, signed by all of the above, plus Denmark and Sweden. The Commercial Convention is important, since it stabilises not only the Customs Tariffs, but also the consolidated tariffs, agreed upon by a Commercial Convention between the two states. The Convention more or less sanctioned the most-favoured-nation clause by extending the advantages which were accorded by any of the signatory states to each of them.

In virtue of Article 1, the contracting parties undertook not to denounce before April 1st 1931, their existing bilateral commercial treaties, so that any existing treaty between them was prolonged at least till 1st April 1931, though it might expire before this time.

Article two provided for the friendly negotiations between the contracting powers, if any of them undertook to raise the existing duties or impose fresh duties before the Convention expired. The following articles provided for 20 day's notice in the case of tariff increases.

Article four stipulated that the countries who do not normally consolidate their customs duties by treaty, as is the case of Gt. Britain, Denmark, Holland, Norway and Portugal, should be exempt from Art. 2 and 3, but they must undertake not to impose new protecting duties during the term of convention.

In these four articles, distinction was made between those countries who consolidated their duties by treaty and those who did not. Complete liberty of increasing their "fiscal" duties was provided for the latter group. However, any contracting party injured by these "fiscal" duties might denounce the Convention (Art.V).

As regards the first group, that is those states who usually consolidate their duties by treaty; they were given the right to increase any duties which were not consolidated. If any such modifications should injure one of the contracting parties, that one might ask for friendly negotiations in order to settle the matter; If however, an agreement could not be reached in two months, the injured party had the right to denounce the Convention, either as regards any of the contracting parties, or only to that one who made the modification and provoked the negotiations.

A) Reservations. 1) Austria excluded from this agreement her Commercial treaties with Hungary and Czechoslovakia.

2) Czechoslovakia excluded her treaty with Hungary.

3) Greece; in her case it was agreed that if any contracting power should take measures which would disturb her balance of trade, she may avail herself of the right of denunciation.

IV) The contracting parties undertook the obligation not to impose new restrictions of prohibition in regard to imports and exports, and thus to aggravate the existing situation.

VII) Should any party consider that the existing equilibrium was disturbed by the denunciations, then it had the right to denounce the Convention as it thought necessary.

The other articles provided that duration, ratification, exceptions in the case of Colonies etc.,

Thus out of the originally contemplated scheme of a Tariff Truce for a period of two or three years which should stabilise the tariffs at their existing level, the Commercial Convention which replaced the Tariff Truce is but a very modest achievement, if we consider that instead of having stabilised the tariffs, every contracting party had the right to modify either its "fiscal" or unconsolidated duties. There were many exceptions to which the states could resort in case of emergency.

The Convention moreover, had an entire European character; since almost every state outside Europe kept aloof, if it did not openly oppose it. It only lasted one year, extension being provided if notification from any contracting party did not reach the Secretary-General before February 1st 1931, and if one considers that ratification was only demanded by November 1st 1930, the Convention may be said to have had even shorter duration - only five months; since only between 1st November and 15th 1930 was a Meeting of the parties who ratified the Convention to be held, with the purpose of fixing the date for the coming into force of the Convention.

One wonders if such a meagre result - taking into consideration the exceptions, the denunciations and withdrawals, which could be made without much trouble and very rapidly - is of practical value. But hope should never be lost, since it is still possible that the future germ of a development which cannot be estimated is contained in the abortive "Tariff Truce" of March 24th 1930. It is possible that it only opened the avenue for the later achievements in the domain of Europe balance of power, and understanding. In this connection, the Protocol on future negotiations is of greater value.

The third chapter deals with various questions concerning international economic relations.

Among the most important conclusions in which there seemed to be general agreement were:-

Agreement of future negotiations.

The engagements stipulated in this Convention will only have their results if they remain in strict relationship with the disposition foreseen in the Protocol up to date, relative to the programme of ulterior negotiations.

In the preamble of the Protocol, the contracting parties manifest their desire to put into practice the recommendations of the whole Economic Conference of 1927, and they recognise that concerted action is necessary "to secure closer co-operation, the improvement of the regime of production and trade, and the enlargement of markets, and to facilitate the relations of the European markets between themselves and with overseas markets, so as to consolidate economic peace between the nations".

A better organisation of production and circulation of wealth is the chief aim which the signatories of the Protocol will strive to achieve, and having in view this important object, they will do their best to remove as far as possible unjustified hindrances, which hamper the development of International trade.

Article 1 contains a lengthy list of questions which shall be answered by the contracting parties, all aiming to find means to improve the international trade between them and the outside World.

Article 11 is concerned with various customs questions, and recommendations, and the third article provides for an annex to the Protocol, which the various Governments shall consider before the recommendations and stipulations of the first and second articles may be dealt with.

These annexes contain three chapters, in which the various opinions and reflections of the delegates who took part at the Conference are analysed more especially those which deal with the fundamental problems.

- a) First chapter regards the adjustment of economic relations between the industrial and agrarian states.
- b) The second chapter concerns the repercussions of the collective agreements on the relations between the participating states and a third party.
- c) The third chapter deals with various questions concerning international economic relations.

Among the most important conclusions in which there seemed to be general consent were:-

- 1) A system of inter-European Tariff preferences - as visualised by the agrarian states - would aggravate existing difficulties.
- 2) Indirect protectionism would be entirely abolished in any form.
- 3) measures which modify the conditions of competition in the international markets should be as far as possible abolished.

a) On the whole, the programme Protocole provides for the study of various questions and conventions which have no immediate connection with international tariff problems.

b) The further study of questions which have been examined by the I. Economic Committee.

c) The study of some new problems raised when the Conference was held.

The Economic Committee was asked to give its entire attention to the preparation of a unified Customs nomenclature, and to study the comparison of tariffs to elaborate means by which the applications of the recommendations and principles contained in the Convention for the simplification of customs formalities of 3rd November 1923 may be made more effective. To put an end to indirect protectionism, a draft convention should be prepared. The Convention of 1927, concerning the recommendations for the abolition of various prohibitions dealt with, with a view of putting it into practice as soon as possible in as many countries as possible. The international combines and rationalisation were given special attention; the economic Committee being urged to carry on the economic and judicial studies already commenced.

By the future negotiations the putting into practice of most of the above-mentioned conventions and stipulations is aimed at, and Governmental action is desired.

Two important problems were raised at the Conference in connection with customs relations and the European organisation of production. These were:-

- a) The relations between the agrarian states and industrial Europe.
- b) The relations between those states which take part in the collective agreement and the third party.

In connection with the first question, it should be noted that the French Economist - Dr. Delaisi, in his book "The Two Europes" - perhaps for the first time discussed the subject

extensively. He represented the industrial side of Europe as an immense animal organism belonging to the series of great vertebrae with functions both centralised and specialised with cells interdependent. This Europe which he calls "Europe A" thanks to the "horse power" is in a far better position than her sister - "Europe B". This latter is described as a "polypier made up of millions of tiny animals living an independent life on the coral reef that they have built up through centuries." This main conclusion is that the salvation of Europe lies in a return to Europe, and that the duty of industrial Europe should be to develop and to raise the standard of her sister Agricultural Europe.

In this connection the Protocol of the Commercial Convention, in article 1, made a definite step to establish somewhat a relationship between the various European Countries. With a view to organising more rationally the production in Europe, and also the circulation of wealth, questionnaire was sent to all countries which took part at the Conference. These questions were:-

- a) In what agricultural products is there over production in each country. What are the normal outlets for these products. What practical means can be employed to ensure disposal and distribution of surplus production in the normal markets and in other countries with insufficient production.
- b) What practical means can be employed to facilitate the disposal of manufactured products, particularly by increasing the extent to which it is possible for consuming countries to purchase them.
- c) In the case of the productions mentioned in A and B, what are the customs and administrative measures which seem likely to promote the extension of markets, and the improvement of international trade.
- d) What practical means can be employed to ensure the movement of European raw materials amongst the different countries under more satisfactory conditions and their better utilisation.

So far as these questions were concerned, the Conference made some effort to give a general outline, stimulating co-operation between the countries. It envisaged a national, and then an international organisation of production and distribution of the agrarian products; it favoured the creation of an organisation to deal with the credit to be granted to the agrarian states; it proposed the conclusion of a veterinary convention; the study of the means of transportation to better the present situation and the creation of a Central Office of Studies for the purpose of establishing a better organisation; it was favourable to the creation of Central Offices for the sale of agrarian products.

The final Act is but a plea for co-operation in various domains. It points out that the present Convention, which has been concluded, is but a link in the future negotiations in the direction of Economic Co-operation of Europe. It strongly recommends that the League should make all efforts to undertake an objective investigation into the means of establishing closer co-operation, not only amongst the states of Europe, but between these and the outside world, so as to improve the international trade relations between them for their mutual benefit. In fact, the plea of the Conference is but a restatement of the famous World Conference of 1927, whose recommendations were so important, but so far little put into practice by any of the participating states.

The signatory states to the Preliminary Conference for concerted action, as a leading economic periodical has recognised, did not commit themselves too much. It is however nevertheless true that the situation at present is of such a nature that the economic troubles could never be settled by a Conference alone. It is only by limiting the sphere of action to certain questions that a more immediate result can be ultimately achieved. Always to keep in view the general idea, and to try to solve the urgent questions by degrees - this has been the line of conduct of the League of Nations ever since its conception. "In human affairs, if professions of faith are made sufficiently often, conflicting practice usually conforms in the end more closely to the idea;" it is only by pointing out to the various nations more often where their interests lie, that a result is ultimately reached. Nations are more aware nowadays of their danger than before the war, since in a more peaceful atmosphere which usually dominates at Geneva, their statesmen can approach the problems of their countries concerned from an international view point - being, at least for the moment - more devoid of that national feeling, which not always is the best adviser in solving a problem in the best way. This point of view is held by the leading statesmen of Europe at the present time. There is only need to quote a statement made by Mr. A. Henderson - "From my own experience, I am convinced that periodical meetings of Foreign Ministers at Geneva promotes a better understanding, and creates friendships that are of real importance in securing the better conduct of international affairs".

In this respect the advent of regional agreements imposed by the geographical situation of the European states. He has argued for the acceptance of preferential treatment between these regional economic groups in which he saw the only hope for the agrarian states which have no exportable surplus of goods to keep their markets. This was more necessary since they had not the chance of concluding international agreements for the sale of their products being in this position is an inferior situation. The industrial states, by means of the international agreements already in existence, can minimise the effects of the

- 1) See Economist.
 - 2. Daily Herald.
- 1) Comptes Rendus de la Conf. préliminaire sur une action concertée. C. 222. A. 109. 1930. II.

It is significant to note that there appeared to be a unitary economic front of the agrarian countries of Central and Eastern Europe, excluding Russia. The Rumanian delegate - Madgearu *y* seems to have been the exponent of their claims. He pointed out that since the previous October, when the idea of the Tariff Truce was first adopted, there had been an upward movement in tariffs, mainly in the industrial countries which raised the duties on agrarian outputs. This agrarian protectionism had important consequences; on the one hand, it increased the obstacles in the way of the proposed economic solidarisation of Europe, and on the other, by its demoralising effect, it increased the difficulties already in existence between the industrial and agrarian states, and made it more difficult for the latter group to join the proposed Tariff Truce. He made it plain to the Assembly that the situation of the agrarian states was precarious, since they were unable to sell their stocks of cereals even at a low price, and while they thought that the situation would be improved by effective co-operation between the European states, they were even then faced with greater difficulties than before. In his view, the proposed Tariff Truce was desirable only in so far as sufficient guarantees existed that ultimately a common programme would be reached by which real and effective economic co-operation between the nations may be made possible.

The primary object of these common efforts should be the formation of greater economic unities than the existing ones, delimited by the national boundaries in order to create favourable conditions for the rational development of production, and for the intensification of the international exchange of commodities. In view of the European character of the problem, in order to avoid the pauperisation of the agrarian producers and also the bad social equilibrium which asserts itself in the industrial countries of Europe, an European Economic Unity should be aimed at, in which capital, of certain objects and goods, should have the stability and liberty, which is the characteristic of all great economic units.

In this respect he advocated regional agreements imposed by the geographical situation of the European states. He further argued for the acceptance of preferential treatment between these regional economic groups in which he saw the only hope for the agrarian states which have an exportable surplus of cereals to keep their outlets. This was more necessary since they had not the chance of concluding international agreements for the sale of their products being in this connection in an inferior situation. The industrial states, by means of the international agreements already in existence, can minimise the effects of the economic crisis and can assure the rentability of the industrial labour.

1.) Comptes rendus de la Conf. préliminaire en vue d'une action écon. concertée. C. 222, N. 109, 1930. II.

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Such in short was the thesis of the agrarian states. What they asked for was preferential treatment, and they raised their voice against the excessive agrarian protectionism which is practised by the industrial states of Europe.

The second economic Conference for Concerted Economic Action opened in Geneva on November 17th 1930.

The primary object of the Conference in virtue of Article XII of the Commercial Convention of March 25th was to determine whether, and under what conditions, the above-mentioned Convention should be put into force.

From the very beginning, it has been noted that the Convention had so far been ratified by only ten states; and under such conditions the countries which had ratified the Convention were not prepared to put it into force.

The Economic Committee of the League had already drawn up a programme which provided for the questions under discussion.

- a) The resumption of efforts to secure the adoption of the Convention for the suppression of import and export prohibitions and restrictions.
- b) The question of the treatment of foreigners to be solved.
- c) The Tariff questions in view of a reduction in their level.
- d) The study of preferential treatment in favour of Eastern Europe cereals.
- e) The British proposals for the negotiations on two groups of articles - machinery and textiles - with a view to reduction of tariffs.
- f) The Dutch proposals for bilateral negotiations between countries with a liberal tariff policy and the others which have a more protectionist tariff.

The outstanding problems, put before the Conference, were the Tariff problems, and around these questions the discussions were to be held.

There were two important proposals for general improvement of trade; one was submitted by the British Government, the other by the Netherlands.

The British proposal aimed at the reduction of tariffs by stages and by categories. It suggested that textiles and machinery should be selected in the first instance, and then the scheme would be extended to other products of industry and agri-

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culture.

The Dutch proposal was the division of States into two groups -

- a) Those states which, while maintaining their present tariff autonomy, pursue a liberal commercial policy.
- b) Those States which, while pursuing the policy of Conventional Tariffs have a Customs Policy of more or less protectionist character.

The states of the first group would undertake to maintain their liberal policy in exchange for tariff benefits to be accorded to them by the second group. In any case however, the clause of the most-favoured-nation would govern the agreements.

A third suggestion was made by France - who thought that the present circumstances were not favourable to concerted action for tariff reduction. It was the opinion of the French Government that better results would be obtained if more attention could be paid to non-tariff possibilities for the promotion of trade. They suggested that a Convention should be drafted on non-tariff matters, and a permanent organ of arbitration and conciliation should be set up. To this newly created body, any litigation which would arise between the states in interpreting and applying any bi- or multi-lateral convention should be referred.

In the plenary discussions, the point of view of the agrarian states was exposed by the Rumanian delegate, who considered both the English and Dutch proposals unpracticable, since by suggesting to the protectionist countries that they should decrease their tariffs, they did not offer anything in return for the concessions made by those countries. In both proposals there was lack of compensation and equivalence. He suggested that the principle of equivalence should be introduced as regards those groups of articles which represent adverse currents in the international exchange of commodities, when bilateral or multi-lateral action is sought. In this respect, he proposed to deal simultaneously with textiles, which interested one group of countries, and cereals which interested another.

The constant pre-occupation of Occidental Europe is to reduce the tariff barriers, so that a freer interchange of commodities should be established, and in this way to further the economic prosperity of Europe. But by this action however, favourable results cannot always be attained. In the case of Rumania he pointed out that although there has been a considerable reduction on textiles, yet the imports of this category of goods from England had diminished, because the fall in the price of agricultural products was still greater than the reductions of tariffs; hence the purchasing power of the country had greatly diminished.

Only by increasing the purchasing power of the agrarian states and consequently their consuming capacity, could Western Europe ultimately profit, and not merely by tariff reductions.

He claimed preferential treatment for the agricultural products of Eastern Europe.

The industrial states, while taking into consideration the point of view of the agrarian countries of South Eastern Europe - as it was only naturally - insisted that any advantage offered to the agrarian states should be counter balanced by concessions made to them regarding their exports.

Out of the various speeches which were delivered at Geneva on this occasion, one important fact emerges the conflicting interests of the various states. They were so wide that no definite results were achieved. Neither the proposed tariff peace convention nor the reductions of customs resulted from those entertainments. Agrarian countries were deceived in their hopes of obtaining preferential treatment, at least for the moment, while industrial countries it did not result any special advantage.

Economic cooperation among the nations, however, has been emphasised and various other schemes, such as the creation of agricultural Mortgage Bank, to assist the depressed peasant of South-Eastern Europe were taken in consideration, and farther collaboration between the industrial and agricultural countries was envisaged in the hope that, at last some kind of relief might result from such discussions for both contracting parties either agricultural or industrial.

In March 1931, was held a new conference, its aim being to decide when Tariff Truce Convention was to be enforced. Owing to the lack of sufficient ratifications on the part of signatory states the Convention could not be enforced. Decidedly the Tariff Truce Convention was a failure; due to many reasons, - foremost among them the world wide crisis - its aims could not be materialised.

The President in his concluding remarks recognised this, when saying "that all would agree, on looking back over the four years since 1927, that the efforts to carry out the recommendations of the world Economic Conference had entirely failed" (he expressed, however, his desire that the Commercial Convention might be revived and that the work of international co-operation might be continued. In its final resolutions, the Conference, found a way of masking its total failure, when the British proposal was admitted with an amendment made by Stucki (Switzerland). In its resolution the Conference clearly admitted that it was unable to arrive at agreement, as to the coming into force of the Convention before April 1st, and adjourns to a later undetermined date the decision concerning the date of coming into force of the same Convention

Such in short were the results of the Geneva discussions in the last few years. In our opinion the meagre results in the sphere of Commercial policy - apart from the economic depression, which gives new impulses to the protectionists, - rests in the fact that

the countries did not arrive at uniform customs nomenclature and formalities, hence it is a tremendous task, even for the expert committees of the League of Nations, to ascertain clearly the charges which enhance the price of goods which form the object of international trade. This question is being studied by the experts of the League, and it is thought that the nations would be greatly assisted when concluding commercial agreements by a uniform custom nomenclature.

A second obstacle in the way of concluding multilateral treaties seems to be in the "most favoured nation clause" and its unlimited application. Although it seems paradoxical, nations when concluding commercial agreements have in view mutual concessions, and, as far as possible, equivalent sacrifices. The sense of justice itself demands this. In this connection, there is not as yet a general consensus regarding the advantages derived by the countries under the "most favoured nation clause" system. Mr. Riedl in a comprehensive study came to the conclusion that a certain change in this system is desirable, and in an article in the *Revue d'Economie Internationale*, Prof. Hauser is against the general application of this clause. In our opinion, although the "most favoured nation clause" has brought about certain reductions, these are more apparent than real, since at present every country, either by administrative measures or by alterations in the customs nomenclature, try to prevent the general application of this clause. Economic conflicts may result from discriminations made in the imports. A greater willingness on the part of the states to conclude commercial treaties would result from a new interpretation or limitation of the clause.

Greater stability, would probably result, in commercial policy if the following measures would be adopted throughout the world;

- 1) Unified statistical methods. One of the first requisites for the improvement in the present commercial policy would be the institution of a unified system of statistics regarding production, trade and consumption.
- 2) Uniform Customs nomenclature. The adoption of such a system would greatly assist commercial relations throughout the world.
- 3) A new and clearer interpretation of the 'most favored nation clause'. This is not only desirable but necessary.
- 4) Commercial Treaties concluded over long periods creates confidence, and makes the adjustment between production more possible.
- 5) The creation of a permanent organ of conciliation and arbitration. Such an organisation would prevent misunderstanding and ill-feeling when difficulties arise out of the interpretation of various commercial treaties.

The World wide depression of agricultural prices as compared with other commodities is very keenly felt in all those countries of which agriculture forms the real base for economic development and prosperity. Not only have prices fallen to an unprecedented level, but the natural outlets are barred by high protective tariffs.

The universal economic crisis, which for years has dominated almost every human activity, was considered to be an industrial and commercial problem; this was probably due to the fact that it was in industry that its effects were more keenly felt and perhaps more visible. It is in the more highly industrialised countries that the tide of unemployed workers is continuously rising, while the crisis in agricultural countries is more latent, since even at a very low margin of profit, the agriculturist is continuing to till his land, sometimes even at a loss.

In the League of Nations publication, it is stated that during the years immediately following the war, that is from 1921 to 1923, in particular, the receipts from agriculture did not in most countries cover the cost of production under normal working conditions. This happened at a time when the Great Russian Empire, which was the first supplier of Europe before the war, was disorganised, and many of the Central European countries had not entirely recovered from the abyss into which the war threw them.

According to the same publication of the League of Nations, the discrepancy of prices between agricultural and industrial products was very marked as can be seen from the following figures:-

Comparison of Price Index of Produce sold with the Index of different classes of articles purchased by Agriculture (monetary unit - the dollar)

<u>Classes of Art.</u>	<u>Index of Prices.</u>	<u>Purchasing Power of agricultural produce sold.</u>	<u>Quantity of agricultural produce required to purchase these art.</u>
Agricultural produce sold working expenses.	129.8		
Machinery & Tools.	154.-	84.-	plus 19.-
Commercial Fertilisers.	118.-	110.-	minus 9.-
Concentrated fodder.	128.-	101.-	" 1.-
Wages in cash.	145.-	90.-	plus 12.-
Veterinary expenses.	135.-	96.-	" 4.-
Farm Buildings.	165.-	79.-	" 27.-
Total working expenses.	143.5	90.5	10.6
Domestic consumption -			
Clothing, coats and shoes.	182.-	71.-	" 40.-
Salt, sugar and coffee.	156.-	83.-	" 20.-
	175.9	73.8	" 35.5

League of Nations publications, Agriculture and the Intern. Econ. Crisis.

This table is the result of information received from 18 countries, four of them being outside Europe.

It can be seen that the price index which in 1913/14 stood at 100 passed in 1925/26 to 129.8; at the same time the working expenses passed from 100 to 143.5 and the index for domestic consumption reached 175.9. In other words, the price of agricultural products did not keep pace with the general upward movement of prices, being in the proportion of 90.5 : 100 as regards the working expenses, and 73.8 : 100 for the domestic consumption; three years later, in 1928/29, the situation was much the same, the proportion being as follows:-

- 90.9 : 100 as regards the working expenses.
- 79.7 : 100 " " " domestic consumption.

The situation in U.S.A. is much similar. The price of agricultural products has greatly decreased since 1924, the price index for agricultural products being between 125 and 170, while for the manufactured articles, it is between 160 and 170.

In Switzerland, it was estimated that the nett yield from agricultural capital, which in 1913/14 was 3.07 per cent, in 1925 decreased to 2.33 per cent, while the proprietor's nett profit fell from 2.23 per cent to 0.24 per cent. The same situation exists in almost every European Country. In U.S.A. it was estimated that in 1928/29, the annual revenue of the capital invested in agricultural pursuits was 4.7 per cent, while the capital invested in some 900 industrial enterprises brought a nett income of 12.1 per cent. If we take into consideration the fact that the salaries in agriculture were much less than in industry, then the disproportion between the revenue gained from agriculture and industry is still greater.

The World wide crisis in agriculture is attributed to the following causes:-

- a) increased acreage.
- b) higher productivity.
- c) diminished demand.
- d) general economic changes.

a) Increased acreage.

According to the publications of the League of Nations, the World's output of cereals and other good crops was 16 per cent greater in 1928 than in 1913, that of all foodstuffs 17 per cent greater, and that of all raw materials 48 per cent greater. While in the years of 1920/30 the World productivity in raw materials was still increased, meanwhile the population did not increase in the same proportion. The increases in the World production of primary materials considerably outruns the expansion in World population. It may perhaps be interesting to note that at the International Conference on Agricultural Economics held at the Cornell University in August 1930, over production was challenged by various economists. They pointed out that it is not true that there is over production of

food, but the difficulties in which the individual farmer finds himself to-day are not due to his energy and industry which impelled him to produce large quantities of cereals and other food crops, but to a combination of maladjustments in most countries which makes it impossible for those who need food to pay for it at such prices which would compensate his efforts. The underfed population of China and some other parts of the World were cited as examples.

b) Higher productivity.

Mechanised methods in agriculture greatly helped to increase productivity in various countries, not only the overseas countries increased their production per acre, but most of the countries of Europe. The examples of Austria, Czechoslovakia, Italy, and lately Russia, are a vivid picture. In this latter country the change from the small scale production to the large scale agriculture was accompanied not only by a higher output per hectare, but by a decrease in the cost of production as well. What these changes mean could be seen from the following figures: the average yield of wheat for the last two years for those lands which were worked by individual peasants was respectively 40 and 42 foods, at the same time the average yield per hectare on a "Gigant Farm" was 54 foods, in 1929, and 65 foods in 1930, while in the meantime and cost had fallen from 88 kopeks per food in 1929 to 62 kopeks in 1930, and according to the estimates of U. Bogomoliu, the Director of the "Gigant Farm", the cost in 1932 would be reduced to 45 kopeks. Thus by the change in the system of agriculture from the small to the large scale production, striking results could be achieved. "Rationalisation" in agriculture means also a superior quality, since the crops produced on these large scale farms are better selected and carefully graded.

At the recent Conference held at the International Chamber of Commerce, the Chairman of the British National Committee - Sir A. Balfour - pointed out that while Russia's wheat supplies to Great Britain in 1910 to 1914 were 13 per cent of the total imports, in 1926 to 1927 fell to 4 per cent, only to rise subsequently in the last season of 1930 to 24 per cent and even to 40 per cent in the last months of the year.

c) Diminished demand.

It has been recognised that where the primary necessities are met, a further rise in the purchasing power and in the standard of living of the people as a whole shows itself in the demand for personal services, sport entertainment etc., and not for such goods which involve a proportionate increase in basic products. This is the case with Western Europe, where the standard of living is com-

paratively high compared with other countries. Prof: Richardson, when reading a paper before the Royal Statistical Society in London, stated that while about 40 per cent of the real wages only is spent for food supplies in St. Britain, Sweden and Denmark, 50 per cent is spent in Czechoslovakia and over 60 per cent in Poland.

The increase of population did not keep pace with the increase of food supplies. While from 1910 to 1928 the population of Europe increased by 6.4 per cent, that of the other Continents rose by 13.7 per cent, and the production of wheat in the same period surpassed an increase of 25 per cent.

Unemployment too contributes in a certain degree to the existing agricultural crisis. The substitution of tractor and combine for horses also should be regarded as a factor contributing towards less consumption of agricultural products.

d) General economic and political changes after the War, contributed in a large measure to accentuate the present agricultural crisis. The balance of consumption and production has been disturbed. The new frontiers by cutting across territories unified economically, left on the one side territories with surplus of agricultural products, on the other side industrial territories unable to provide the necessary food supplies for their inhabitants, and unable to find raw materials for their existing industrial plants. Efforts were made by every state towards self-sufficiency, and this in turn brought the intensification of the cultivation of land in the industrial states. Tariffs were eradicated to protect the various interests which only helped to intensify the existing crisis. The former equilibrium, which existed in Europe between the agrarian and industrial interests vanished, and misery and distress was spread instead.

All these causes originated during the War, and the adjustment in agriculture, owing to its peculiar characteristics, cannot be engineered as in industry. The plight of agriculture to-day has important influence upon the general economic activity of the various countries. Low agricultural prices mean less purchasing power for the greatest part of mankind, and unemployment in industrial countries.

It is only by the joint efforts of all kinds of human activity that the situation can be improved and the economic equilibrium of the World finally restored; without the realisation of this fact however, great general improvement will be but very slow and incomplete.

"It is extremely important for agriculture that industry should be in a flourishing condition, because a working population with a large purchasing power ensures a rapid and remunerative sale of agricultural produce. In the same way, industry is dependent upon agriculture, because its interest lies in obtaining foodstuffs and raw materials under the best conditions, and because agriculture is its

best purchaser, whose purchasing power it is in its interest to develop to the greatest possible extent! To maintain an equilibrium between forces producing raw materials and foodstuffs and those engaged in manufacturing is the fundamental problem.

The root of the present crisis perhaps can be very well illustrated by quoting the following phrases:-

"Those who see things only from the outside looking in assert that crises are caused by over production, whereas other and keener minds make under consumption their starting point".² In appearance there is over production, lack of markets, lack of buyers, because there has been impoverishment and lack of equipoise between supply and demand.

"Too many plants have been built, profits previously made in certain branches have drawn in competitors who produce under better conditions and sell at lower prices; old factories, working with out of date equipment, or that have failed to meet their sinking fund charges on equipment during periods of prosperity suffer, work at a loss, and there you have your industrial crisis".

After the War, this equilibrium was disturbed; the most important causes have already been mentioned, and the World wide depression of agricultural prices as compared with other commodities is very keenly felt in all those countries in which agriculture forms the real basis for the well-being of their population.

This agricultural depression very severely affects the Central and Southeastern states of Europe. It was the acuteness of this prolonged crisis, and the realisation of the fact that the economic situation of the peasants - which consists in those countries of 60 to 80 per cent of the population on which the whole economic structure relies - is getting from bad to worse, gave life to a new movement in Eastern Europe.

It was realised by the agrarian states that so long as they remained aloof, such of them competing against the other, their situation could not be improved, and in the end, a general impoverishment must follow, since the recent heavy fall in World prices has been a severe blow to every country - more especially to those which produce the primary products i.e. the agricultural ones.

Two alternative methods of coping with the situation are internal or external, or, as it would be better to say, national and international. There is very wide scope for improvement in the

- 1) League of Nations publication: Gauthier, Lindsay, Hermes: Agriculture and International Economic Crises.
- 2) [International Economic Conference on Agriculture Economics held] at Cornell University.
- 3) International Conference on Agricultural Economics: Cornell University.

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agricultural marketing method in each country concerned, and legislative action is necessary to enable assistance to be given to export trade. The other is an international agreement and international action; this should not exclude any internal action taken with a view to improving the situation.

The first method was, or is, almost in every country tried, but soon it was realised that it is not enough, however much the good-will of the various Governments; still more can be done by an international agreement.

Already in 1928 the "experts" of the little Entente States were carefully considering the means by which the economic "rapprochement" could be brought about between their states. The tariffs, navigation, transportations, post and telegraph questions were under discussion. In 1929 the delegations adopted favourable resolutions with regard to mutual and simultaneous lowering of the tariffs, and to the co-ordination of the transports and means of communication. But as the agrarian crisis persisted during 1929 the agrarian problems came into forefront.

In the course of the last Summer, there have taken place three important Conferences at Bucharest, Sinaia and Warsaw, whose aim was to find and issue to the persistent agrarian crisis, which as Prof: Madgearu pointed out is of general character both as regards its causes and effects and resembles the great agrarian crises of the last century. The first occurred after the Napoleonic Wars and the other at the end of the Franco-German War.

One of the promoters of these agrarian Conferences explained why they had a European character. In the first case the European countries are not to be blamed, since at the preliminary Conference called by the League of Nations for concerted economic action, from 17th February - 24th March 1930, the overseas countries took but the smallest interest; being represented simply by observers. The only exceptions were Colombia, Japan and Peru. In the second case the agrarian crisis presents an aspect specifically European and it constitutes one of the fundamental problems of Europe. It should not however, be overlooked that Europe has on the one hand to fight with the increasing unemployment problem, and on the other, with the progressive impoverishment of millions of her inhabitants.

The third point which put the balance in favour of the agrarian Conferences, was the realisation of the fact that the industrial states are much better organised than the agrarian states, which have not been accustomed to act together. As a consequence of their stronger position, the industrial states are less disposed to make concessions to the agricultural ones. It was asserted that apart from their economic and financial structure, which is superior to that of the agrarian states, the industrial ones not only made the importation of agricultural products difficult by a network of re-

1) Europe Nouvelle

restrictions, sometimes camouflaged under the disguise of sanitary measures, but they also made a common practice of granting export bounties.

The initiative of these Conferences was also due partly to the fact that an atmosphere of deception was produced by the lack of positive results of the economic action pursued by the League of Nations.

These were the essential "motifs" which actuated in favour of a restraining act on the part of the interested agrarian states, whose main preoccupation may be said to be to discover and recommend capable means of ensuring the disposal and distribution of surplus production of agricultural products in the normal markets at a price sufficient to cover the expenses incurred by their products.

The desirability of such an act was felt by the governments of Eastern Europe and by the League of Nations. The International Agricultural Conference, which is necessary as a means of ensuring that the prices of agricultural products are sufficiently high to cover the expenses incurred by their production.

C. Complete agreement was reached by the delegates of the three states, who decided that the matter to be given to the League of Nations, and also with regard to the League of Nations, and various Governments concerned in taking steps to increase the price of

- The following questions were to be considered:
1. Is it not agricultural products in such countries?
 2. What are the actual conditions of these countries?
 3. What practical steps can be taken to ensure the disposal and distribution of surplus production in the normal markets at a price sufficient to cover the expenses incurred by their production?
 4. What practical steps can be taken to ensure the disposal of surplus production, particularly in the direction of increasing the price to which it is possible for obtaining products in normal markets?
- In particular, that are, in the case of the present conference, the customs and administrative measures which are likely to promote the extension of exports, and the removal of international trade.
- It is practical steps can be taken to ensure the disposal of surplus production, particularly in the direction of increasing the price to which it is possible for obtaining products in normal markets.

Their replies to the League of Nations "questionnaire" were
Agrarian Conferences.

The first agrarian Conference between the delegates of Hungary, Roumania, and Jugoslavia, was held in Bucharest from 1st to 23rd of July, 1930. Its initiative may be traced to the Tariff Truce Commission of Geneva and to its "questionnaire". The Conference had to deal with the replies to be given to the League of Nations Questionnaire, whose object was to discover means of concerted action whereby full advantages may be taken of the Commercial Convention, or of the so-called Tariff Truce concluded earliest in the year, in March.

The desirability of improving the purchasing power of Eastern Europe has lately been more and more recognised. The International Agricultural Commission, meeting at Antwerp in 1929, recognised that the primary condition which is necessary to surmount the economic crisis not only in agriculture but also in industry and trade, is that the prices of agricultural products should be raised equitably.....

C Complete agreement was reached in Bucharest between the delegates of the three countries concerning the answer to be given to the League of Nations "questionnaire" and also with regard to the suggestion to be made to the various Governments concerned in taking parallel measures to increase the price of

The following questions were to be answered;-

A. a. In what agricultural products is there over-production in each country.

b. What are the normal outlets for these products.

c. What practical means can be employed to ensure the disposal and distribution of surplus production in the normal markets and in other countries with an insufficient (production.

B. What practical means can be employed to facilitate the disposal of manufactured products, particularly in the direction of increasing the extent to which it is possible for consuming countries to purchase them.

In particular, what are, in the case of the products mentioned A. & B. above, the customs and administrative measures which are likely to promote the extension of markets, and the movement of international trade.

What practical means can be employed to ensure the movement of European raw materials amongst the different countries under satisfactory conditions, and their better utilisation.

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agricultural products.

Their replies to the League of Nations "questionnaire" were in substance the following:-

- a) They claimed preferential treatment for European agricultural products from the industrialised European countries, which are compelled to import cereals.
- b) They demanded from the importing countries consolidation of their import duties on agricultural products of European origin at a reasonable level, so that the exporting country should enjoy a certain benefit.
- c) They also demanded a regime of complete liberty for trade in agricultural products, and that the prohibitory measures on these should be abolished; discrimination by means of railway rates should not be made to their detriment, nor should the duties on semi-finished products such as flour, be made too high; veterinary measures should not be pressed with the object of indirectly helping agricultural interests in their states.

A series of policies was also recommended to their Governments such as - adaptation to importing markets, standardisation and rigorous control of quality; unification of selling policy; a Central Office for exports; construction of depots and credit facilities. They also suggested that the producers should be permitted to sell their products at prices lower than the World prices.

Sinaia Conference.

A second Conference took place at Sinaia, Rumania, from 30th July to 4th August 1930. This Conference was held only between the representatives of two members of the political body known as the "Little Entente"; that is between Rumania and Yugoslavia. This Conference had special significance, since apart from the "experts" the effective leaders of the economic policy of the two countries took part. It goes without saying that the political relations between the two countries played an important role in calling the Conference, but it was economic pressure that was the determining factor in bringing them together. This is more obvious, since the third member, Czechoslovakia, which is more industrial than the agrarian countries, did not attend the meeting.

The suggestion was made, and, in official circles, received with approval that the two countries should enter into a customs union. The necessity and utility of such a union was emphasised, but, apart from the appointment of a permanent mixed Commission

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to study the question, nothing important was done in this direction. The moral effect should not, however, be overlooked to-day, when the idea of United States of Europe is not regarded any more as utopian.

The agreement reached refers to general economic questions of the two countries, but there is an innovation inserted in the agreement which provides that in the case of a customs union, the reciprocal advantages conferred upon them by this Union should not be applied to countries with which Commercial Convention exists on the basis of the most-favoured-nation clause.

The resistance however, of economic nationalism, or of those branches of production which depend on it, is so great that any movement of international solidarity is very slow. To put forward the idea of a customs union was enough to cause almost every branch of production in Rumania to raise protests, and even the agriculturists in the interests of whom the customs union was projected through their Union "The Agriculturals and Grape Industry Syndicates" were against it.

Soon after the Conference, on the initiative of the Polish Government, a new Agrarian Conference was held in Warsaw from 28th to 30th of August 1930, where the delegates from eight countries of Eastern Europe were represented.

Roughly speaking, the purposes of this Conference were to present a united agrarian group to the industrialised states of Europe. It was even proposed that this agrarian group was to be formed for the purpose of counter-balancing the influence of the overseas agrarian countries in the League of Nations, such as the British Dominions and the Latin American countries. This, however, was not the case. The proposed group is not intended to oppose the interests of any other country; its views are purely economical; it is for the solidarity of those countries whose very existence and prosperity depends on their products of their land, and the way in which they are able to secure the outlets for those products. The eight countries, whose representatives were at Warsaw, agreed to the following:-

- a) "The states whose economy is based entirely, or the greater part of it on agricultural products, cannot escape a progressive poverty unless their exports of agricultural products are sufficiently developed to counter-balance the imports of industrial products coming from the industrialised countries.
- b) Non-coordinated competition has the effect of precipitating the crisis from which the agrarian states suffer, and isolated efforts to overcome this crisis cannot have but partial results.
- c) The necessity for rationalising their export

trade of agricultural products in such a way as to meet the needs of the importing markets, in respect of quantity and quality.

Then they sought means of realising this, and the following suggestions were made:-

- a) Controlling agencies should be established by various countries for co-ordination and control of exports. These could be realised by -
- b) The formation of international cartels by bilateral or multilateral agreements; special care should be taken for national specialisation in certain branches of agriculture.
- c) Uniform credit facilities are also desirable.
- d) A uniform attitude on the part of the agrarian countries towards such questions as relate to their agricultural problems in the international sphere.
- e) Adoption of common veterinary standards.

The significance of these Conferences is in the fact that the economic crisis brought about the domination, partially and temporarily at least, of economic aims over the political.

Prof:Madgearn, the Rumanian Minister, after passing in review the desperate state of agriculture in Eastern Europe, pointed out that what was needed to relieve the precarious state of the peasant, was new outlets and cheap money, and he claimed preferential treatment with respect to agricultural products of Eastern Europe.

The Conference unanimously supported and endorsed these views, realising that "in the particularly grave situation in which agriculture finds itself, the derogation from the most-favoured-nation clause in the favour of agricultural products of European origin, represents the only efficacious and practical means of alternating the agrarian crisis".²

Here we have the introduction of a new principle "do ut des" in international relations in the place of the consecrated

- 1) League of Nations: According to the Financial Committee of the League, the agricultural debts represent in Hungary / as follows
- | | | | | | |
|----------------|----------------|-----|----|-------|------------------------|
| million of \$. | Hungary | 245 | or | 33.74 | per cultivated hectare |
| | Rumania | 240 | " | 14.02 | " |
| | Jugoslavia | 67 | " | 5.4 | " |
| | Czechoslovakia | 8 | | | " |
- 2) Report on the Conference: Europe Nouvelle.

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principle of the most-favoured-nation clause which had dominated European relations for over fifty years.

It is still premature to reach definite conclusions as regards the movement of the agrarian states, since it is only by friendly co-operation with Western Europe, and perhaps with the collaboration of the overseas countries too, that these claims can be put into practice.

In any case they stirred public opinion, and the League of Nations took definite steps to introduce into their debates the claims of the Eastern European Countries.

The measures agreed upon at the time of the Warsaw Conference were supplemented by a series of measures adopted recently in Bucharest in October, when the experts of the eight agrarian states were again at work; their efforts being directed towards finding practical measures of co-ordinating their economic policies about agriculture.

a) The most important was the recommendation of a permanent Research Board or Committee of Studies to be set up; permanent collaboration between them being aimed at. This Research Board will enable the Governments concerned to keep in touch with the question of agricultural policy, and will help them to form a united front by collecting and distributing information regarding agricultural imports and exports. Collaborations with the International Institute of Agriculture will be among its aims.

b) State institutions for the organisation and control of agricultural exports should be established as soon as possible in every country adhering to the group in order to facilitate co-operation between them. In this respect and with the view of eliminating competition between them, direct negotiations between the states was recommended. Unification of statistical methods, agricultural credits, and preparations of international veterinary conventions, were also some of the problems which received adequate discussion.

c) Resolutions were passed in favour of a joint study of the best means of securing preferential treatment for agricultural exports in the importing countries of Europe. The Latvian, Estonian and Czechoslovakian delegates did not sign the resolution, and the Bulgarian delegate made certain reservations. The countries which adopted the entire scheme of collaboration were Hungary, Poland, Rumania and Yugoslavia.

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In this connection should be noted the Belgrade Conference, whereagain the situation was reviewed with the aim of finding practical measures for the support of agriculture, and amongst the proposals agreed upon were:-

a) The creation by July 1st 1931 of a Central Office for the joint sale of agricultural produce.

b) and that the various national organisations forming part of the Central Office should have unlimited control over the export of those agricultural products which are provided in the agreement reached between the countries concerned. Here is, as "The Economist" noted, the idea of an international cartel for agricultural products - with the purpose of marketing them - initiated by the Governments.

That there is much room for improvement in agricultural marketing, cannot be doubted; wide scope for improvement exists. These plans are connected however with financial assistance. To illustrate this it will be sufficient to point out the experiences of Rumania.

In the last months of the year 1930, the price of wheat per wagon at Chicago was approximately 45.000 Lei (or 80 cents per bushell), and at Winnipeg, 43.000 Lei; while at the same time the price of wheat in Braila was only 34.000 Lei - that is 10.000 Lei less than the World Price. This discrepancy is due to the following facts:-

a) Marketing systems of agricultural products has greatly deteriorated since the War; this is due to lack of capital and excessive taxation. The following example is conclusive:-

£4.5.0d. b) 3.500 Lei were imposed by export taxes and other special kinds of taxation.

£2.10.0. c) 2.000 Lei were due to the lack of an adequate system of transportation, and lack of mechanical transportation.

£3.5.0d. d) 3.500 Lei, or the rest due, on account of lack of confidence in the quality of Rumanian products, since with no silos the standardisation cannot be carried out.

This is shown by the fact that the quantity increased comparatively more than the area sown, the proportion being 111.32. To-day the situation is that the overseas countries are in a much better position compared with Europe as regards the quality of their produce and as is also the case, the Western European consumer, as long as he had cheap bread and of good quality, does not concern himself whether the wheat is of European or of other origin.

Causes of this Agrarian Movement.

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It should be borne in mind that before the War, Central and Eastern Europe played an important role in providing the Western Countries with cereals. It has been estimated that on the average between 1909 and 1913, the industrialised area of Europe consumed 413 million of quintals, and produced but 270 million quintals, importing the rest; that is 133 million quintals (here should be understood the whole importing area). Out of these 133 million quintals, 61 million quintals were provided by Central and Eastern Europe, including Russia, and only the remainder of 72 million quintals were imported from overseas countries.

In the post-war period, the situation has totally changed. European agriculture greatly suffered through the War and its aftermath, and it is a well known fact that in the first years immediately following War, even such countries as Rumania and Russia which were Europe's granaries, had to import wheat for their internal consumption. By 1927/28, Europe was almost in the same position as before the War, considering the increase in population and the level reached by the production of wheat.

The situation however outside Europe was completely changed. During the War, when the supplies of wheat from Eastern Europe were completely cut down, Western and Northern Europe relied on imports from overseas countries whose production greatly increased; their agricultural population making strenuous efforts to keep pace with the increasing demands from the belligerent countries. Even France, whose production before the War, almost entirely covered her needs, had to import not less than 10 million quintals annually; and if we take into consideration the statistics, we shall observe that the wheat production in Canada, U.S.A. Argentina and Austria was 67 per cent as compared with pre-war years, though the surface only increased by 44 per cent.

The importing wheat areas of Europe in the post-war period brought almost the entire quantity required for their needs from overseas countries, so that in 1927/28 Europe imported 162 million quintals from other Continents, and but 5.6 million quintals from agrarian countries of Europe.

Owing to the large agricultural areas cultivated in the overseas countries, and to their improved methods of production, the quantity of their wheat was of a superior quality, and the output per hect. also was superior. This is shown by the fact that the quantity increased comparatively more than the area sown, the proportion being 1:1.52. To-day the situation is that the overseas countries are in a much better position compared with Europe as regards the quality of their products; and as is always the case, the Western European consumer, as long as he had cheap bread and of good quality, does not concern himself whether the wheat is of European or of other origin.

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What is however, important to be noted is that in pre-war days agricultural Europe, as well as many overseas countries, bought from Western Europe its industrial articles, and the equilibrium thus was fairly well maintained. For their food they paid with manufactured articles.

This situation has changed since the War; on the one hand Western Europe lost by the diminishing purchasing power of Eastern Europe, and she did not receive compensation in the overseas countries in the same proportion. The U.S.A. took over to some extent the role which was formerly held by Europe; while before the War, the difference between the imports and exports of the overseas agricultural countries as regards Western Europe, was not so great; though the balance was in their favour. In the post-war period this difference increased considerably in favour of the overseas countries which however nowadays, take much of their industrial equipment from the U.S.A.

The situation in Western Europe thus is that while they lose ground on the Eastern European Market, they were not compensated overseas.

It was not the consumer nor the Western agriculturist who had to bear the brunt, but the industrialist who could not find outlets for his products. This, on the other hand, is reflected in the increase of unemployment figures.

As a consequence of the changed position U.S.A. progressed from a debtor to a creditor country, and the amount of her claims on foreign countries has considerably increased by large receipts of War debts and Reparations. This can only be liquidated by increased imports of merchandise, by foreign lending, or by gold imports, and as Mr. Churchill remarked "neither of the first two ways which we can regard as the normal method of dealing with such a position came into operation effectively". This was due partly to her geographical position, which permits her to find much of her foodstuffs and raw materials within the country, and partly due also to her tariff policy by which she prevents her debtors from paying their principal and interests in merchandise. She resorted therefore, to the third remedy for dealing with such a situation; that is she favoured the tendency of gold imports, much to the detriment of credit conditions throughout the World. Western Europe, of necessity, received before the War, as she does to-day, foodstuffs and raw materials from her debtors.

What is needed in this case, for Western Industry is re-establishment of the equilibrium; this could be done partly by increasing the purchasing power of Eastern Europe. It can be achieved by a better organisation of production, by increased credit facilities, and by reserving to countries of

Eastern Europe a larger part in supplying the Western countries with foodstuffs and other raw materials.

To increase and to organise production is only possible by cheap credit facilities. With the borrowed money, a new means of communication would be created, new depots, or a chain of silos erected, and agriculture should be mechanised; by so doing the purchasing power of Eastern Europe would be greatly increased; the army of unemployed in Western countries reduced, and the social consequences of the present situation much ameliorated or changed.

To achieve all this however, it is necessary to diminish the imports of agricultural products from overseas countries, and here the difficulty lies. The farmers of these countries to-day are in a terrible plight, as a consequence of the fall in prices and the great surplus of agricultural products. It was estimated that Canada only, had, in October 1930, a net exportable surplus of 313 million bushels, and such is the condition of the U.S.A. Argentina and Australia. In Saskatchewan the value of the wheat crop decreased in five years to 90 million - from 255 million - in 1925, and the earning power of every acre sown with sheat diminished considerably as it fell from 22.40 to 6.92. Compared with this catastrophical fall of agricultural products, which in the same province was estimated at 58 per cent in a few years, the price of goods which the farmers used decreased only very slightly, as is shown by the index of the retail ppices, which fell by 3.6 per cent only.

In this case, the only possible means of solving the question is to reduce the agricultural area sown, but this is very difficult to achieve. The Chairman of the Farm Board in the U.S.A. - Mr. Legge - admitted "that while willing to do what he can, he has no great hopes of ultimate benefit to the farmers through the Board's operations. Temporary stability can be given the market if the Board decided to use enough money, but it has no means of curtailing production, and its future policy is obscure".

In this connection up to this time the U.S.A. and Canada's experience in storing up large quantities so that an equitable price should be secured to maintain the standard of living and purchasing power of the prairie farmers is not very promising; since with such large quantities as are to-day available, storage is so difficult; large financial interests being involved. Ultimately they are compelled, if the area sown is not reduced, to put them on the market at a far less price.

Apart from this, The Governments, to relieve agriculture, elaborated various schemes and projects. None however, could

and successfully bring adequate relief to the farmers and prevent the social consequences of the present crisis, if the present level of production be maintained and new markets will not be opened in the far East.

Agreements between consumers organisations in importing countries and producers organisations in exporting countries were also among the various measures suggested to alleviate the present depression. 1) This proposal is a good one but cannot materialise until production is better organised within the country. Owing to the state of agricultural society in Europe apart from Russia, these organisations are very difficult to form.

It seems that at least for a period of transition only State organisations under the direct control of the State could achieve this aim. For the importing countries Import Boards have also been considered. Such agreements, while they contain inherent disadvantages, might well prove to be a great assistance to international co-operation, and moreover they would have important advantages, such as;

- a. Better adjustment of production to consumption
- b. Stabilisation of sale prices to a degree.

Undoubtedly there is much to be hoped for from such new schemes; but the countries of Eastern Europe should realise that, as long as the system of small-holdings exists, they cannot reach appreciable results even with the financial assistance of the Agricultural Mortgage Bank. Only with the mechanisation of agriculture-which implies the industrialisation of the countries-would a rise in the standard of life be possible.

Still fresh in our minds is the struggle for the achievement of a system such as prevails in Russia would be difficult to achieve. Although it would be advantageous to the national economy, it might not prove to be beneficial to the individual farmer. Willingness of the farmers to co-operate is necessary, and this spirit of co-operation should be encouraged.

In the last few years we have witnessed various national and international schemes, all having in view the remedy or at least the alleviation of the economic crisis. It would probably be agreed that one of the most important measures suggested for the relief of the crisis is the reduction of duties.

1. In this respect it may be of interest to note that private agreements between industrialists were encouraged for the reduction of duties also.-See Grossman's Report to the League of Nations.

Import Boards for Great Britain were suggested by F.R. Wise, M.P., (Political Quarterly, April-June 1931.), and also at the recent Imperial Economic Conference.

Measures devised to alleviate the economic pressure in Central Europe.

The Union of European States is an ultimate aim which can only be gradually achieved. Let us examine the possibilities which exist at the moment of improving the situation in those countries with which we are concerned, viz. the Succession States.

Firstly, the Agrarian Countries of Central Europe, where the situation is very bad for the moment, will be dealt with.

Before the War the territories belonging to the Austro-Hungarian Empire so far as agriculture was concerned enjoyed a stable price which was uninfluenced by the world market. After the war this privilege of these countries of forming an independent price when marketing their products has disappeared completely, and they have to adapt themselves to the world market. Owing to the peculiar circumstances under which agriculture is carried on at present, this adaptation means a gradual impoverishment for the present of South Eastern Europe.

Self interest and the instinct of preservation dictate to these states to "unite in order to live", but this way towards the final aim should be carefully prepared, since even for these small countries, economic and political divergences are still great.

Having regard to their economic structure and degree of development, their need for the export of their products, and also to the common outlets, it may be said that they have the same economic destiny.

Still fresh in our minds is their struggle for the achievement of preferential treatment for their agricultural products. In the commercial agreements concluded in the second half of this year, such arrangements for preferential treatment between various countries were provided for, on condition that third parties would not raise protests. It is undeniable that such protests would be inevitable, but those countries might perhaps be compensated for the prejudice brought against their interests.

In the last few years we have witnessed various national and international schemes, all having in view the remedy or at least the alleviation of the economic crisis. As it would probably be agreed that one of the major factors contributing to the crisis is the fall in prices of raw materials and foodstuffs, - the crisis being itself caused by over-production - most of the efforts were directed to prevent the fall of prices. But the discrepancy between production and consumption became wider year by year, and the remedies sought to maintain the artificial level of prices aggravated the situation. The experience of the Federal Farming Board in the U.S.A. and the Canadian wheat pools - to mention only only two organisations - in artificially sustaining the price of

wheat, has proved that no national efforts to control and uphold prices can be satisfactory. International action alone could alleviate the situation, but even there the conflicting interests of the nations are so great and so wide that only partial results could be achieved. The result of the Wheat Conference at Rome in March 1931, has plainly shown that no attempts to deal with the wheat problem can attain any success unless they are conceived on an international basis. The London Conference two months later corroborated this point of view. The wheat exporting countries at their London Conference carried a resolution to create a commission which should have the role of clearing-house, i.e. a general centre for information concerning wheat production, stock, etc. Among its functions would be that of seeking new methods of utilising cereals.

For the Agrarian Countries of South Eastern Europe neither the suggestion made at Rome—that of reducing by 10% the cultivated area, nor that of regulating the s.e. at the present basis could be favourable. For social reasons a reduction in the area of small-holdings is not possible, and, as regard the second suggestion, their present small production cannot be regarded as the ideal state, but as their whole organisation, economic, financial and industrial, is based on agriculture, an increase in the standard of life is only possible if agricultural production can be improved.

The organisation of production and wheat marketing is nevertheless necessary, and the agrarian countries would greatly improve their situation if acting in co-operation. The organisation of an international cartel for the selling of cereals would do much to alleviate the situation.

The creation of an agricultural mortgage Bank would make easier the position of the middle European Countries.

The institution of preferential treatment seems to be very difficult to put into practice. Nevertheless agricultural countries by directing their efforts towards the establishment of an unitary commercial policy could to some extent relieve the present situation. Every agricultural country of Central Europe acting in consensus with the others when concluding commercial agreements, will benefit.

This commercial policy should be completed by the institution of a common transport policy, and by standing together when contracting credits abroad. This would not only improve their chance of receiving better terms, but the confidence of the creditor countries would be greater.

Compensation treaties seem to receive more and more attention in the last few years, and by the institution of these treaties or by the adoption of the preferential system in the commercial policy the great obstacles which are today in the way of a European solidarity will eventually be removed.

As for the industrial countries of Central Europe their situation could be improved only by co-operation with the agrarian countries. The solidarity between the various industries in these countries is much greater than the solidarity which exists at present among the agricultural interests of the agrarian countries, hence the degree of co-operation in these countries is much better developed.

If later the agricultural countries of Central Europe would join together with the industrial ones, their difficulties would be much more easily overcome. AUSTRIA and Czechoslovakia alone, however, are too small to absorb the surpluses of the three agrarian states and here therefore Germany should be taken into consideration.

The European statesmen should always keep in their mind that, the health of Europe resides in prosperous Central-European states, and unless there is sincere desire for collaboration and unity this supreme aim could never be achieved.

received his views with sympathy, but they would not be able to draw up a memorandum on the subject, which would be sent to various governments for consideration. The idea would be to summarize their views in a report to be presented to the Assembly of the League of Nations.

Dr. Cohen - St. Louis's delegate, suggested that an organization as "The United States of Europe" should be established by the League of Nations, and this would be a step towards the solution of the European problem. He suggested that the League should relieve the task of directing the League of Nations.

Mr. Cohen's delegate, suggested that the League of Nations should be on the economic field and that it should be a political organization. He suggested that the League should be a political organization, and that it should be supported by an economic organization. He suggested that the League should be a political organization, and that it should be supported by an economic organization.

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The idea of the United States of Europe.

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At the tenth Assembly of the League of Nations in September last, the French Foreign Minister - M. Briand - delivered a speech, in which he put forward his ideas regarding the organisation of Europe. For many years past, he had been wrestling he said with the problem presented by European divisions, and the political and economic inferiority resulting from such organisations. The fear of future Wars and the economic and political chaos resulting from them; these seem to have been his principal problem which he tried to solve in such a way as to give satisfaction to every member of European States. His conclusion was that this could only be achieved by bringing together into closer contact and co-operation the nations of Europe.

At a subsequent Meeting, to which he had invited the first delegates of the twenty-six other European Governments belonging to the League, he amplified his ideas on the subject. He put forward his ideas in a more crystallised form, since the delegates were invited "to consider the advantages of an agreement between the interested Governments, having as its object the creation among the Nations of Europe, of some kind of federal bond establishing between them a system of constant solidarity, and allowing them, whenever necessary, to get into touch immediately to study, discuss and settle problems likely to be of common interest".

The result of that Meeting was that the delegates not only received his views with sympathy, but they unanimously invited him to draw up a memorandum on the subject, which should be sent to the various Governments for consideration and study. He then should summarise their views in a report to be discussed at the next Assembly of the League of Nations.

Mr. Graham - St. Britain's delegate, remarked that, at such an organisation as "The United States of Europe" aims the Economic machinery of the League of Nations, but this could much more easily be achieved if the responsible Governments would take upon themselves the task of directing Europe towards freer interchange.

Stessemann, Germany's delegate, emphasised the fact that it is on the economic field that these ideas should be materialised; since any political organisation in Europe will sooner or later come to naught, unless the political order is supplemented and supported by an economic order. He thus envisaged a parallel action, both on the political and economic field.

The mere idea of uniting the Old Continent formed of a multitude of economic and political entities - though it was received with warm appreciation - gave rise to many fears and doubts at the very beginning.

- a) First there was the sovereignty of the states; how can this be reconciled with the idea of a United Europe.

- b) Would not this new organisation create a new obstacle to the peace, by separating the "world into hostile economic units.
- c) Would not the machinery already in existence - that of the League of Nations - be affected.
- d) What will happen with the poorer parts of Europe, coming into competition with the richer and better organised sections.
- e) Would Great Britain join, without reservations, such an organisation, since she, more than any other European state, has vital interests outside Europe.

Such were the questions put immediately after the organisation and "Rationalisation" of Europe, which came into the forefront at the Geneva Meetings.

Memorandum on the organisation of a system of Federal Europe.

In the first part of the Memorandum, some of the objections of general character are frankly faced, and its aims are clearly stated.

It was not unity but union, in the sense of effective co-operation, that its initiation wanted. The sovereignty of the states would not be impaired in the slightest degree. The new organisation would be subordinated to the League of Nations being formed within the framework and control of the League, and in conformity with its spirit; whose "two basis principles are precisely the sovereignty of states and the equality of their rights".

It is clearly stated that the new organisation is not to be directed against any other state outside its sphere, since "the policy of European Union towards which we must tend implies in effect, a conception absolutely contrary to that which formerly led to the creation in Europe of Customs Unions, tending to abolish internal Customs barriers in order to erect on the boundary of the whole community a stiffer barrier - that is to say - in order to create in practice a weapon against the states situated outside this union". It also contains the provision that, only the European members should be admitted to the new organisation, which would be looked upon as a "regional understanding" whose formation should be clearly admitted and recommended by the Article 21 of the Covenant of the League of Nations.

Then the memorandum proceeds to suggest the machinery on which the organisation will depend for its normal functions. This should be -

- a) "European Conference" which should be the image of the

European representative Governments, composed by its members. This would be the supreme representative authority of the organisation.

- b) A permanent political Committee, which should be the executive authority of the organisation, and should be composed only of some of the members of the European Governments.
- c) Secretarial to assure administrative executions, the administrative execution of the orders of the President of the Conference, or of the European Committee to maintain communications between the various Governments etc.,....

Moral Unity.

Essential principles. Chapter I of the Memorandum¹⁷², points out the "need for a general pact, however elementary, proclaiming the principles of European Moral Unity" and solemnly consecrating the solidarity established between European states. The essential object of the new organisation thus would be the pacific organisation of Europe, which could only be established by common action and consultation.

Chapter II sets up the new machinery of the organisation which has already been mentioned.

Chapter III sets up the essential principles which shall determine the general conceptions of the European Committee.

From the outset the need is clearly stated that economic problems should be subordinated to the political ones. It is only in an atmosphere of mutual confidence that the economic questions, most particularly the tariff problems, can be settled. This confidence depends on the question of security, and this latter is closely associated with political union. The conclusion is that no progress can be achieved on the economic field until political security is assured.

Political co-operation should be based on the idea of union and not unity, the sovereignty of the states being secured.

The economic organisation of Europe should have as its chief object, a "rapprochement of the European economic systems affected under the political control of the Governments acting in concert". The organic construction of Europe must therefore begin on the political plans; since on the contrary, the weaker nations would be alarmed, without guarantee or compensation, to a political domination.

Chapter IV is concerned with the questions which "are

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opportune to reserve for discussion either by the next European Conference or by the future European Committee". Such questions are:-

a) General economics.

The realisation of the programme laid down in May 1927 by the World Economic Conference; control of the policy of the industrial cartels between the different countries; examination of and preparation for all future possible measures for the progressive reduction of tariffs etc.,

b) Economic equipment, co-ordination between the large public under-takings (canals).

c) Communications and transit co-ordination, and regulation of inter-European traffic.

d) Finance, credit facilities to the undeveloped or less developed sections of Europe.

e) Labour, concerning different questions connected with the inter-European Labour organisations.

f) Wealth, general application of certain methods of hygiene, recommended by the League of Nations.

g) Intellectual co-operation, inter-European co-operation between Universities and Academies.

h) Inter-parliamentary relations, to improve the international atmosphere of Europe.

i) Administration.

Methods of European Co-operation.

It is suggested that it will be found opportune either to create new co-ordinating organisations to support the efforts of the League of Nations in this direction, or to cause the League of Nations to call Conferences, European or World wide, to discuss new issues as they arise.

Chapter IV concludes with the suggestions that the authoritative and executive organs should be empowered to seek methods for collaboration between the Union and countries which do not belong to it.

"To unite in order to live and prosper; that is the imperative necessity which henceforth confronts the nations of Europe".

Such then, is the ambitious scheme of uniting the geographical and political which compose Europe to-day

in order to make a better organisation - if not an ideal one - for the benefit of the nations as a whole. It is the ideal which only a few years ago was thought utopian, though the greatest thinkers and statesmen of Europe envisaged and predicted the time when, out of the economic and political chasms of Europe - which had existed ever since the first tribes appeared - would emerge a superior organisation, able to secure the peace and prosperity of its inhabitants.

The Memorandum was sent for study to every Government in Europe and Member of the League of Nations, and their considerations and objects were asked to be forwarded to the French Government by the 15th July.

General considerations on the European Governments replies:

In their replies, the European Governments say "yes" in principle they are favourable to the Briand scheme. This "yes" is followed by a "but", and it is here that they invariably make certain reservations. The states can be divided into two main groups -

- a) the victors and
- b) the defeated ones.

The victorious countries, with but a few exceptions, lay general stress on the existing state of affairs, and insist upon absolute respect for existing treaties. This is the case more especially of the newly created or enlarged states. The defeated countries it seems, like to bring the revision of treaties into the forefront; such is the case with Germany and Europe. The German Government however, desires to point out once more on this occasion, that the success of every effort to improve the political situation in Europe will depend on the application of the principles of the complete equality of rights, equal security for all, and the pacific adjustments of the natural and essential needs of the people. Its opinion is that the aim could be achieved, if the questions were to be treated in a spirit of accommodation. They suggest a "bold reform of conditions which are recognised as untenable; for the ultimate aim, European pacifications cannot be attained without the respect of the principles of justice and equality". The Hungarian Government made it clear that it could not agree to a solution based on "status quo" thus perpetrating the situation created by the treaties.

A second group of countries, namely, those which have important interests outside Europe - such as Portugal and Holland - though they welcome the proposals made by the French Minister, yet wish to make it clear that they will not admit any interference in their relations with their colonies, and the British Government is anxious that the measures taken for closer European co-operation should not cause any friction in any other Continent.

Also "His Majesty's Government in the United Kingdom, as a Member of a British Commonwealth of Nations, must take account of special considerations". Some other states, notably Italy, suggest that all the European countries should be invited to participate, allusions being made to the semi-European nations such as - Russia and Turkey. 208

- 1) The Polish Government, endorsing the main idea of the memorandum, considers that the European Union should be based upon security, guaranteed to all states alike, and also for the respects for the sovereign rights and political independence of the states.
- 2) The Hungarian Government ventures to point that although it fully realises that the proposed Conference will not deal with the revision of the treaties, it could not agree to a solution of the problem which, by excluding the possibility of future re-unions, perpetuates the present situation created by the treaties.

There were some other important remarks on the proposed machinery of the new organisation. It can be seen from the above that every country has its special interests, and they sometimes conflict with each other; but while stating them, the countries unanimously expressed their readiness to co-operate and smooth the hindrances and obstacles which are, at present, in the way of a European re-construction. They are not, as a rule, too optimistic; they they hope that any step taken in this direction will lead towards a better organisation, and will pave the way to peace and progress.

The underlying motives of the U.S. of Europe.

It may be asked - what are the underlying motives which prompted the idea of the United States of Europe?

For centuries, Europe has enjoyed a superiority over the rest of the world. She had been the financial, commercial, manufacturing and colonising agency for such a long time, that we Europeans were almost without doubt that she would maintain her position for many years to come. Already in the last century she was investing large sums of money in the new countries, developing their resources, and up to the Great War, she was still the mistress of the world. Her financial power was unsurpassed, her commerce was far the greatest, either per head or as a share of the world's total. In the following table is shown the world trade in 1913 and 1924.

But the greatest share of world's produce has been gained by North America - and to a certain extent - by Japan. The wonderful progress of America of course can only be explained by the industry of her people; but it is largely due to her important natural resources. She is a country of great area - 7,850 million square feet has a population of over 100 million, and has comparatively the greatest share in the natural resources of the world; moreover

World Trade percentage share of different Continents. (11)

	1913.	1924.
Europe.	61.4	51.7
North America.	13.-	17.6
Asia.	11.4	15.1
Central and South	7.6	8.4
Australia.	4.-	4.1
Africa.	2.4	3.1
Oceania.		

It is clear from the above figures that the War affected the Commerce of the World differently in the various Continents; every Continent except Europe, increased its share of the total. Comparatively, Oceania, North America and Asia gained the most, while Europe lost nearly 16 per cent (15.9); but even before the World War her share was diminishing as can be seen from the following:-

(World.									
Europe had from 1871 to 1880 about 7/10 of the total trade of the									
" " " 1881 " 1913 " 6/10 " " " " " "									
" " " 1914 " 1924 " 5/10 " " " " " "									

There has been a tendency for trade to pass from the Atlantic to the Pacific in the years since 1913. Her internal trade too, suffered from the War, as it was comparatively smaller in 1924 than in 1913, the actual figures being 64.1 per cent in 1913, and 60.4 per cent in 1924.

She is no longer the sole creditor to the World, but has to pay important sums to North America, whose balance of payments has greatly improved. Her progress was greatly handicapped by the World calacism of 1914. She enjoyed great stability in tariff matters, as many duties were "consolidated" by the important network of commercial treaties or, as was the case in France the some other countries, by the autonomous tariffs which were maintained for long period. Fluctuations as in industrial and commercial life, certainly did appear, but they could not be compared with the post-war changes. Besides, tariffs were still lessened by the upward trend of prices, which from about 1895 till 1914 incessantly rose; the industrialists of 1914 and the business man, in these matters, were much more privileged than were those of the pre-war period.

But the greatest share of benefits perhaps has been gained by North America - and to a certain extent - by Japan. The wonderful progress of America of course can only be explained by the industry of her people; but it is largely due to her important natural resources. She is a country of great area - 7.839 million square Km; has a population of over 120 million, and has comparatively the greatest share in the natural resources of the World; moreover

11 d. of b. publications: Memorandum on Ind. and trade.

she has managed to build up a powerful industrial equipment.

It may be of interest to show her principle raw materials and energy resources, compared with other countries:-

Energy Resources. (in millions of Horse Power Years).

U.S.A.	Coal: 5000.000	Petrol: 400	Water power: 37
China.	2000.000	60	20
Germany.	48.000	2	2½
Gt. Britain.	27.000	2	1
Russia.	17.000	280	16

The figures of this table show that in the most important energy resources, America, or rather U.S.A. is the principal depot.

The industrial development of the United States of America was growing apace even before the War, but as her internal necessities were so great, the magnitude of her manufactured products could not be easily appreciated by the outside World - the changes of American industrial life became more apparent during the World War. Her industries were not only supplying her entire home market in the lack of external competition - since her competitors were busily engaged in slaughtering each other - but she furnished large and important industrial products to Western Europe together with enormous quantities of foodstuffs.

Parallel with the industrial expansion there has been a similar extension in agriculture. Extension of agriculture acted as a tonic on industry - Mr. W. S. Culberston described this change in the industrial life in the following manner -

"Beginning with 1914, a great economic change came over our national life. We suddenly realised that our commercial Treaty was not adapted to the new conditions in which we found ourselves. The productive capacity of many of our products expanded. The volume and variety of American export trade increased. Many, many American products which had never found their way on to the shelves of any foreign country, began to appear there during the period from 1914 down to 1920, and as a matter of fact, down to the present time. We became interested in shipping; we changed, as it has usually been phrased, from a debtor to a creditor nation; our whole attitude towards internal commercial relations changed as a matter of necessity the expansion of our industrial and economic life".

Her balance of payments considerably changed her aspect. While at the beginning of the War she had to pay over 2000 million £; U.S.A. is to-day a nett creditor, having invested abroad from 8.000 to 11.000 million £.

The question which confronted the industrial leaders of Europe was naturally - how could all these marvels have been achieved in such a short period? The natural answer is that the War

brought it. But this answer is not enough, since there is another question - how can America pay higher wages than the Western Countries, where industry too is highly developed? The answer to this question may lead to the solution of the problem. The secret of high wages is, in part, explained by large scale production, adequate supply of capital to maintain and improve plants and equipment, so as to keep pace with the latest inventions; labour efficiency and education; rich deposits of basic raw materials, and to the large home market. It is plain from experience that a large scale industry cannot be developed except in those countries which have extended home markets, and have at their disposal, large quantities of raw materials and capital. Hitherto in Europe, every country tried to develop some kind of industry; not only in those most suited, but in those under the Tariff walls a multitude of industries was nourished by the consumers. Much has been done in the direction of "rationalisation" through various national or international combines, cartels etc., but their action is made less effective by the hindrances which they encounter at every step by the tariff walls. It cannot be denied that the prosperity of American industry, and the accumulated wealth, must have been attained because the U.S.A. form such an immense market, and the spirit of enterprise which characterises its people has not been checked by her tariff walls, since they never lacked internal competition. In the words of Mr. Batta, the enterprising Czechoslovakian industrialist - "it is not military power, but the capacity that they have shown for serving the entire World that gives them World supremacy. He who renders services dominates; he who does his duty naturally acquires rights".

There is in Europe a lack of that "home sentiment" which should displace the present national sentiment. This being perhaps the greatest obstacle in the way of international co-operation. It would be unfair to say that nothing has been done in this direction, but it is not an exaggerated statement to say that, after ten years existence of the League of Nations and other international organisations, no great and significant results in this direction.

"The national sentiment and the idea that the state is the guardian of every human relationship is deeply ingrained into the minds of most human beings."

It is not difficult to recognize that the impoverishment of Europe has gone hand in hand with the growth of tariff walls and the other hindrances to the normal flow of international trade, labour, and capital.

1) /World Trade/.

1. Dr. H. Hrochowski: Breaking down the Tariff walls.

Is an European Union possible?

The advantages of an enlarged economic unit are unquestionable. Although a European Union would be beneficial to the countries concerned, - on condition that this Union would be attained gradually, - the existing state of mind is far from being favourable to such a grandiose scheme. The European countries are far too proud of their sovereignty, and every step towards a Union would involve a diminution of such sovereignty. The States composing the U.S.A. are not states in the European sense of the word; they resemble more the provinces of a state in Europe. Besides having a very great autonomy in conducting their local affairs, in certain important matters, eg. defence, finance, etc., their autonomy is limited, and they have to submit themselves to the Central authority which is invested with the Federal Government and the President.

Here in Europe only the creation of an International Government to which the National Governments would submit themselves in the last resort, would resemble the situation which exists in the U.S.A. The idea of U.S. of Europe cannot make any great progress unless Nations express their readiness to accept limitations of their sovereignty. This implies a readiness of the states concerned to make some sacrifices.

There is in Europe a lack of that "human sentiment" which should displace the present national sentiment, this being perhaps the greatest obstacle in the way of international co-operation. It would be unfair to say that nothing has been done in this direction, but it is not an exaggeration to say that, after ten years existence of the League of Nations and other international organisations, we have not achieved great results in this direction.

"The national sentiment and the idea that the state is the guardian of every human relationship is deeply ingrained into the minds of most human beings."

It is not difficult to recognise that the impoverishment of Europe has gone hand in hand with the growth of tariff walls and the other hindrances to the normal flow of international trade, labour, and capital.

It is the duty of the great national entities to break the ice, thus creating a favourable state of mind for a European rapprochement, since their policy would be followed

"nollens-vollens" by the other states. It is difficult to have a Customs Union at once, but an economic rapprochement between states which have reached a similar degree of economic development is surely not impossible. In favour of this rapprochement it may not be out of place to quote the opinion of one continental banker who studied world post-war economic changes. "I studied carefully the possibilities of a Franco-German Customs Union," says Felix Somary, "and I came to the conclusion that freedom from all duties in the commercial intercourse between these two countries would cause no serious disturbance anywhere, but might in most cases offer a basis for a reorganisation, which might make competition with other Continents possible. Complete freedom from duties, however, must be aimed at if any organisation is to be achieved, since a system of preferential tariffs, even for a transition period, could not be carried through." Such a Union would stimulate the formation of other groups of countries, which have attained the same degree of economic development.

Some sacrifices would assuredly be necessary on the parts of the various countries, but ultimately these sacrifices would be more than compensated for. Mass production would be advantageous to the great bulk of consumers everywhere, and the rationalisation of industry and agriculture would greatly facilitate the achievement of this aim. Nations of Europe realise that, while the Union of Europe is desirable, not only to prevent the recurrence of another war but to prevent its economic ruin, it is not possible in the immediate future. Economic necessity, nevertheless, may hasten the materialisation of this ideal.

General Considerations.

The dismemberment of the Austro-Hungarian Empire - considered from the economic point of view - resulted in chaos. The economic system based on the mutual interdependence of the two countries - Hungary and Austria - although not a natural one, but rather created by the ambitious Austrian Monarchs, has been consolidated during the last sixty years, and by the outbreak of the World War, their interdependence was very marked. The centrifugal forces which nevertheless have been at work ever since the Customs Union between the two countries was established, proved to be not so powerful as to endanger the system. As a matter of fact, during the World War, a closer co-operation was contemplated during the two countries and the neighboring German Empire, and eventually a treaty was concluded just before the end of the War; which would have been but a preliminary step towards the achievement of a Central European Customs Union.)

The realisation of this plan would have given practical completion to the ambitious German plan, so well illustrated in Mr. Fr. Neumann's Book - "Central Europe" - which appeared during the War.

Before the War, apart from the existence of great economic units, there was a certain stability in Customs Tariffs, another important factor in the development of international economic relations. Prof: Keynes proved in one of his Books that the well-being and prosperity of Europe was based on a long period of peace and the existence of greater economic units, which gave stability to the economic life of Europe.

The stability in Customs tariffs in pre-war days was assured by the "consolidations" of the tariff duties for the period for which commercial treaties were concluded; this applies more particularly to the Central European Countries. Even in the other countries which adopted the autonomous tariff, the fairly long period through which they remained unchanged, assured stability in international commercial relations. Again, the fact that many Commercial treaties expired about the same period was important, since even if changes in tariffs were brought about, they occurred at the same time.

Instead of the contemplated greater co-operation, and the stability in Customs duties existing in pre-war days, the years which followed the conclusion of the World War witnessed an almost complete cessation of the former trade relations in Central Europe - and this is particularly true of the Danubian states - as the territory of the Austro-Hungarian Empire was divided into so many national entities, without regard to their economic interdependence. The breaking up of the former Austro-Hungarian Empire brought about a separation of producing centres from their natural markets; thus leaving, on one side over-industrialised territories without the necessary raw materials, and on the other side, economic entities with a large surplus of raw materials, but without adequate industrial equipment to make use of them.

1/ G. Gnabz: The Economic policy of Austro-Hungary during the war.

This situation brought about a change in the commercial policies which existed before the war. Many countries were faced with adjusting their economic policies in such a way as to correspond with the newly created situation; on the one hand we have witnessed the creation of industries in the agrarian countries, and increasing difficulties of recent years in the finding of outlets for their primary products - this has been the case of Hungary, Rumania and Yugoslavia. On the other hand, we have seen industrialized countries such as Austria and Czechoslovakia, passing through difficult industrial crisis, as the result of over-industrialisation and the obstacles which were laid in the way of the disposing of their manufactured products. Recently strenuous efforts have been made to improve their agriculture - a tendency which came into prominence only after about 1925.

The efforts of this economic policy resulted in a wasteful use of capital and uneconomic distribution of industries, and also in a diminution of the international trade.

Numerous changes and instability in their customs tariffs were a general feature of their commercial policy; this is however, a general characteristic of the post-war tariff policy in Europe. At times the number and increase of new tariff systems was such that the International Bureau for the publication of Customs Tariffs at Brussels almost "feared that it might no longer cope with its task".

As regards the Succession States under consideration, stages may be distinguished in their post-war economic policy, and particularly in their commercial policy.

From the end of 1918 and up to the year 1920 inter-governmental trade relations were established, and the first negotiations resulted in the "Compensation" agreements concluded for short terms. These agreements are characterized by the fact that the principle "dant des" is kept in the forefront; neither of the contracting parties accords to the other too much confidence, even temporarily. By such agreements, Hungarian flour and meat are exchanged for cotton articles sent from Austria; Poland received in the same way from Czechoslovakia sugar and other industrial articles in exchange for coal and oil. Austria received coal and sent mannesite to Czechoslovakia.

Thus it is clear that in the first steps in their commercial relations, the Succession States were merely guided by the idea of providing a means of subsistence for their populations, and some important other basic materials necessary for reconstruction.

The second stage in the development of their commercial policies was marked by the "Quota Agreements". This system is also based on the principle of limitation of exchange, since imports and exports are prohibited in so far as the export or import licence

1) M.J.Brunet : Stability of Customs Tariffs.

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is not granted. This system also means that the exchange of goods is left in the hands of Traders. These agreements have none of the characteristics of the ordinary Commercial agreements, but were, however, characterised by the abuses which accompanied the granting of licences for import or export purposes.

Only after three years did this system begin to decline, and by 1921 a change in their commercial policy was to be observed. Imports and exports became systematically free in principle, although many restrictions were still in force. In pre-war days, foreign trade was free, except for regulations for public safety and sanitation, and of course the customs duties did not obstruct it. It was found necessary as long as the political barriers were not definitely established. It was also intended to satisfy the internal consumption by keeping food and raw materials in the country; later these prohibitions were used to protect the value of the national currency, and to a certain extent they served the national industry, being a disguised form of protectionism.

During the years 1921 - 1924, various measures were devised to adjust the tariff policy of different countries to the newly created conditions. These years also witnessed the stabilisation of national currencies in most of the Central European States. Greater stability in national currency also meant greater stability in the tariff policy.

By 1925, almost every country in Central Europe adopted a new tariff, and every one of them was bound by commercial agreements. The new tariffs were as a rule higher than the pre-war tariffs, and their characteristics were that they accorded relatively greater protection to industry rather than to agriculture; in truth agricultural products were for a long time after the War free from duty: it should be borne in mind that agriculture was highly protected before the War in Austro-Hungary and Germany.

Measures for the protection of agriculture were however, in the last few years, enforced in industrial countries such as Germany, Czechoslovakia and Austria.

Tariffs were modified even after 1925, though not so frequently as before, and they were in many cases replaced by higher tariff rates, although their effect was somewhat mitigated by the conclusion of commercial treaties.

The upward movement in tariffs in post-war years attained such magnitude that the "Bankers" " issued in 1927 commented on the effect of the economic policy adopted by various Governments.

"One state lost its supplies of cheap food, another its supplies of cheap manufactures, industry suffered for want of coal, factories for want of raw materials. Behind the Customs

barriers new local industries were started with no real economic foundation, which could only be kept alive in the face of competition by raising the barriers higher still. Railway rates dictated by political conditions, have made transit and freights difficult and costly. Prices have risen, artificial dearthness has been created, production as a whole has been diminished. Credit is contracted and currency has depreciated. Too many states in pursuit of false ideals of national interests have imperilled their own welfare and lost sight of the common interests of the World by basing their commercial relations on the economic folly which treats all trading as a form of War".

It was expected that, with the coming of normal economic conditions, general revisions in a downward direction would be made; but this proved to be a vain hope.

For a short period after 1927 it seemed that the tide towards higher protectionism had reached its height, and a change in the opposite direction would occur; and in fact it did in some countries like Rumania and Hungary. But in the last two years the widespread distress in agriculture and industry brought tariff revisions once more to the fore.

It is impossible to forecast the future development of the tariff policies, since the attempt to solve them on an international basis did not bring any important results; proof of this may be seen from the failure of the Tariff Truce Conference.

It is time for countries to realise that the race for protectionism is injurious to them since capital is invested in uneconomic directions; this is done to the detriment of their populations, and poverty will eventually increase instead of declining.

Although it is difficult to forecast the results, the view might be expressed that a more orderly marketing would hasten the depressed state of Europe.

The movement for European Union, which is at present in its infancy, will finally result in a closer co-operation between nations, even if its final aim is not to be achieved in the near future.

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In the last few years, thus we have seen a good deal of international activity in almost every sphere of life. The results of this international co-operation may not as yet be judged; sure it is that the nations are displaying greater willingness to understand each other. The organisation of the League of Nations has been the most important factor in bringing the Nations together and promoting the spirit of mutual understanding.

However great the achievements of the League, in the international economic sphere during the post-war period, its attempts to bring down the economic barriers between nations have up to the present been more or less futile. Naturally, the economic depression of these days rendered the solution of this problem impossible. Almost every country is busy to-day adjusting its tariff walls in one direction or another. As a rule, however, an accentuated protectionism, either industrial or agrarian, is noticeable. There seems to be indeed a vicious circle; every nation raising its economic barriers aims at alleviating the severe economic crisis, and yet, by so doing, it accentuates it, since tariffs raise the prices and lower the standard of living generally in the long run, even if there are some advantages connected with this policy.

In so far as the collective action for reductions in tariff rates is concerned it may be said that all attempts made up to the present have remained more or less fruitless. Owing to lack of ratification on the part of various countries, the Convention of March 1930 - aiming at the stabilisation of tariffs for a number of years, so that collective economic agreements might be concluded during this time - could not be put into force.

After lengthy discussions the British proposal was finally adopted, which aimed at the postponement of the decision to put the Convention into force.

But at the same time other movements of international character were on foot. Thus the agrarian states of Eastern Europe were making efforts to reach a common economic policy. The recent Conference on Wheat held at Rome in March resulted in a decision being taken, that delegates of the wheat exporting countries should meet as soon as possible to organise the export of the 1931-1933 wheat crop.

Although it is difficult to forecast its results, the view might be expressed that a more orderly marketing would benefit the depressed class of farmers. Again the International Mortgage Bank contemplated for the relief of farmers in agricultural countries should be viewed with sympathy.

The movement for European Union, which is at yet too weak, will finally result in a better co-operation between nations, even if its final aim is not to be achieved in the near future.

CONCLUSION.

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The post-war economic policy of the Succession States, and chiefly their tariff policy, was very unstable. Various changes in import and export regulations in the first years of peace, disorganised economic life, rendering the position of serious Commercial establishments very difficult. The steady and extraordinary depreciation of the national currency, with the consequent rise in prices, was the chief cause of this unstable tariff policy. It was not until 1925 that a more stable policy was established. In this first period - mainly up to 1923 - domestic and foreign commerce was brought under strict governmental control. In the earliest period, the state took upon itself the task of importing certain goods, thus establishing something like a monopoly organisation over certain articles of consumption. The experience of the State as merchant was not a very happy one; various abuses were exploited in distributing the Goods, and cases where important stocks were burned - in order to cover the abuses and render any inquiry impossible - were not isolated."

Social reasons were mainly responsible for the adoption of these state measures. In a time of utter exhaustion, the state had to feed its population, and provide it with the necessaries of life. As a rule, the state sold its stocks - at a loss, in order to assist the poorer population. By so doing, it aggravated the budgetary disequilibrium, and increased its debts abroad.

The first measures to adjust the protective policy of the various states to the new circumstances brought about by the dislocation of War were taken by 1921; the fall in the value of the national currencies rendered the tariff measures unoperative.

Under conditions of currency instability,²⁾ the various measures adopted to regulate imports and exports were more or less justified, although the task of a definite economic policy brought much harm to the countries in question. In the first years after the War, the decrees, changing sometimes almost daily the previous measures concerning imports and exports, made speculation very profitable and greatly discouraged commerce.

The attempt to control prices by the establishment of a fixed "maximum price" in a time of inflation could not attain the results aimed at by those who introduced them; its only results were to discourage production at a time when greater productive capacity was needed for the State.

1) N.C. Angelascu: L'Experience monetaire Roumaine.

2) The Austrian crown was practically stabilised by the beginning of 1923, just at the time when the Czechoslovak crown achieved its stability; the Hungarian crown was stabilised later in 1924; while by 1925, the Yugoslav dinar was "de facto" stabilised; the Rumanian Leu continued however, to fluctuate up till 1927, although from 1924 to 1927, except for the year 1926, its fluctuations were not very marked.

The measures adopted to keep down prices, although they had certain advantages, were in the long run very harmful to the national economy. In the case of Rumania, a former Minister of Agriculture, Caroflid, thus described the effects of these measures:

"..... restriction of prices reduced the farmers' income in such a way as to force them to consume the whole of their profit, renouncing any improvement of stock or fresh capital investments..... Because of the long process of production and of the manner in which the farmer sells his produce, the labour and worry of a whole year are staked upon the chances of one market day, and he stands to lose from exchange variations more than all other producers".

In the countries where these measures were adopted for a longer period, the Governments managed to establish a higher purchasing power for the national currency in the domestic market, while outside the national frontiers its buying power was less. This however could not be maintained for a long period, since the higher purchasing power in the home market was but artificially maintained, and eventually had to conform to its real value established in the international market. This is particularly true in the case of Rumania, where perhaps this was experienced for a longer period.

In the period of inflation, when falling value was accompanied by higher prices, imports were discouraged, and thus national industry profited for a period. This form of protection, supplementary to that afforded by the rates of import, was particularly effective when inflation resulted in the domestic price level being maintained at a lower level than the price levels in competitive countries; and it most profited these industries which found their raw materials within the national boundaries. More industrial establishments were created as a result of these circumstances, competition became more acute, and when the period of inflation was stopped the position of many industrial establishments became precarious. In order to keep them alive, and as a result of continuous pressure from the various industries, the Governments were compelled to grant them higher protection.

Rumania.

The Tariff of 1924, establishing duties payable in Gold, brought about a higher protection and more stability.

It was proved to be inadequate to the country's requirements, and was revised in 1926, when duties on textile and metallurgical industries were substantially increased.

- 1) M.Popovivi: Manchester Guardian.
- 2) I.Caroflid: Buletinul Institutului Economic Romanesque Feb.1924.
- and also E.Hantos: La monnaie en Europe Centrale.

The highest level in the protectionist policy was however, reached only in 1927 when an allround increase in the tariff took place - exception was made only for certain agricultural machinery and implements - in which special facilities were granted.

This high tariff had a double purpose; to protect the national industries, and thus to attract foreign capital into the country, and to afford higher revenues for the State. According to the views of Mr. Manoilescu, the Undersecretary of State for Finance, under whose guidance the new tariff was elaborated, higher protection was granted to those industries which were able to increase more the value of the raw materials through the process of manufacture.

The 1927 tariff was but of short duration, while it brought about a decrease in the value of imports in 1927 by 3.263 million Lei, the collected duties decreased in the year 1928 by about 600 million Lei. Smuggling was encouraged, and state officials were bribed to help the smugglers, as their salaries were not very high. The best example is the import of artificial silk of which in 1927, according to official estimates, but 1000 Kg were imported, while the Old Kingdom imported before the War over 70.000 Kg.

It seems that up to 1928, a one-sided economic policy was followed by the Rumanian political leaders; they granted every assistance to industry, while in the meantime agriculture was more or less neglected. This fact was recognised also by the Governor of the National Bank, who in a report submitted to the shareholders, states that agriculture should enjoy greater assistance from the state. Industry not only was protected by a high tariff wall, but a special Institution for the purpose of assisting it, by offering credit facilities to various branches of industry, was created in 1925.

"The mirage of national self-sufficiency appears to have been so bewitching as to convince statesmen and businessmen that an extensive industry could be created without capital and the currency at the same time revalorised into a bargain. Foreign holders were brought out at almost any price. The Treasury, the Banks, and individuals did not hesitate to assume heavy obligations towards them in strong currency".

The case of the Deutsche Bank is conclusive. This Bank, when selling its shares of the "Steaua Romana" Oil Society was able to state that greater profits were made from that transaction than from ten years of normal banking. Nationalisation of foreign enterprises within the country was aimed at by the law of 1924.

The policy maintained up till 1928 was reversed. The new law of 1929 substantially reduced the duties on many articles, mainly on machinery and articles necessary to agriculture. It has been estimated that the duties decreased on the average by 30 per cent.

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It is yet too early to judge the results of the policy inaugurated in 1929, more especially as it coincides with a catastrophical fall in the prices of agricultural products. The balance between agriculture and industry is as yet to be achieved. At present, both are in a difficult situation, owing to the fall in prices, and the consequent diminishing purchasing power of the population.

Hungary followed the policy in vogue in Central Europe. The country made strenuous efforts to provide itself with industrial equipment. This is more true in the case of the textile industry which attained a very important position, and applies also to some other industrial branches such as machinery etc.,

The tariff policy of the country was meant to keep industry alive, so that the great investments should not be lost - it has been already shown that Hungary, as a consequence of the peace treaties, was left with an industrial equipment whose productive capacity is not adequate to the available raw materials obtainable within the country - and also to provide outlets for the increased population.

The tariff of 1925 was pre-eminently protective in its character; the rates of duties imposed by this tariff were considerably higher than those provided in the old Austro-Hungarian-tariff. Its main feature is that, while affording high duties to manufactured articles, it exempts from duties many raw materials and articles necessary to the development of the national industries; in this way they rendered free of duty the importation of ore of all kinds, minerals, artificial manures, textile machinery.

The burden which was imposed on her population by the retention of the high tariff walls was greater than in pre-war times, since her industries have neither the market nor the natural resources available in the pre-war Hungary.

Although the development of some of her industrial branches, such as textiles and the iron industry, in the pre-war days were handicapped by the powerful Austrian industry, there were some other branches such as the foodstuff industry, which largely benefited by the large home market.

In the Commercial negotiations of the post-war period, Hungary insisted mainly on facilities being granted to her semi-prepared or prepared food articles rather than raw foodstuffs. The Commercial treaties concluded with Austria in 1926 and Czechoslovakia in 1927, for the above mentioned reasons were concluded with great difficulties.

The duties provided by the tariff of 1925 were greatly reduced, as a consequence of the conclusion of commercial treaties. It is estimated that the decrease amounts to about 1/3rd of the rates of duties provided by the tariff.

In consequence of the tendency of her industrial neighbours after 1926 to increase the duties on agricultural products, this tendency being accentuated lately in the last two years, it is improbable that any decrease in her duties will be effected in the near future; although agriculturists and merchants are complaining of the hardships inflicted upon them by tariffs, industry at present is passing through a stress period, and as is always the case, it clamours for greater assistance.

Jugoslavia.

The tariff policy of Yugoslavia was not different in the main from that of her immediate neighbours - Rumania and Hungary. She experienced the prohibitive system for as long a period as her neighbours did. Having come into possession of important raw materials necessary for industrial development, Yugoslavia sought to encourage the establishment of her industrial equipment. This desire was stimulated by the fact that she has within her frontiers various provinces, where land is unsuitable for agriculture; thus the problem of population had to be faced.

In the few years following the conclusion of peace up till 1924 industrial development was followed with feverish activity, although it might well be said that her tariff policy in the first years of peace strove in the first place to improve the situation of her national currency.

The tariff of 1925 was distinctly protective in its character and by its provisions placed Yugoslavia amongst the most highly protected countries in Europe. In reality, the high duties provided by the law of 1925 could never completely be enforced since various concessions had to be granted when commercial treaties were concluded; it is estimated that duties have been lowered by about one third in the last few years.

The Tariff of 1925, while first designed to alleviate the industrial crisis, brought about by the crises which followed the quick recovery of her national currency; it also served as a basis for commercial negotiations, and duties were intentionally devised higher so as to serve as a weapon for bargaining purposes.

In Yugoslavia, as in Rumania, it was felt by some writers that the country committed itself too much to the policy of industrialisation, and in the first years agriculture did not receive the full support of the State. Agricultural products, when not completely prohibited for export, were charged with high export duties. Thus the purchasing power of the agricultural community was somewhat restricted. In countries where agriculture plays such an important role, as in the agrarian countries of Central Europe, this state of affairs is injurious in the long run to the country's prosperity; since industry which depends chiefly on the home market, cannot dispose of its products. "There is no doubt that within the last ten years, Yugoslav economic life has shown great progress, but this

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progress has been insignificant in comparison with what could have been achieved by intelligent and systematic legislative action " says Dr. Al Jovancovitch. 11

Czechoslovakia.

It might have been supposed that Czechoslovakia as a country whose industrial equipment is highly developed and whose productive capacity - in so far as manufactured articles are concerned - by far exceeds the country's requirements, would have embraced a policy of less intensive nationalistic character. Instead, the new Republic of 1918 greatly encouraged the protectionist spirit of the time. Here again currency depreciation has to be blamed for the major part of economic legislation devised to put obstacles in the way of imports and exports. With the fall in the value of the crown, measures had to be taken to adjust the tariff rates to the new situation. An elaborate system of co-efficients was devised for this purpose; later, when the crown recovered, currency depreciation of her neighbours - Austria and Germany - giving these countries certain advantages in their export trade - compelled Czechoslovakia to enforce new legislation in order to prevent her market from being flooded by Austrian and German goods. Import restrictions were sought to remedy this situation.

Currency disturbances ceased for a long time to be a factor in trade relations, and the measures which were adopted to meet the exceptional situation lost for the most part their reason of existence. Nevertheless, Czechoslovakia was but slow in adjusting her economic policy to the new circumstances. The Tariff policy of Czechoslovakia is on the whole higher than was the case in pre-war days in Austro-Hungary.

In her desire to become more independent economically, she imposed during the years 1925-1926, duties for the protection of agriculture. These duties, although higher than in the pre-war days, have been considerably augmented in the last two years. By so doing her industries were handicapped in their expansive capacity, as they encountered more and more difficulties when placing their products abroad. There was a continual unwillingness on the part of Czechoslovakia to allow the import of prepared foodstuffs or partly manufactured products of the agrarian countries; and in this respect it might be said that there was a connection between the rise of the Hungarian textile industry, and the milling industry of Czechoslovakia.

For the present, it is very unlikely that the tariff policy of Czechoslovakia will be revised in a downward direction. This seemed to have been the tendency just after 1927, and in fact various reductions were granted when concluding commercial agreements in the years 1927-28. At the moment, owing to the economic crisis, the upward movement in tariffs is again in the forefront and in fact, many duties have been increased.

In spite of her increasing difficulties, the country has stood

Manchester Guardian Commercial; Serbian Supplement, 1937.

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the economic crisis much better than many industrialised countries. This fact can be judged from the comparatively small number of unemployed. While the number of unemployed at the end of 1922 and the beginning of 1923 was about 20 per cent of the total number of workmen, their number has diminished considerably, reaching in the years 1925 and 1927 only about 5.7 per cent, while their number at the middle of the year 1930 was not greater than 8 per cent.

She began to feel the effects of the economic crisis much later than most of the Central European States, and her natural resources will make it easier for her to pass the economic depression.

Austria.

Austria is the only Central European country which did not commit itself to the protectionist wave to such a great extent as her neighbours did. Of course her economic conditions were such that she stood to lose much more if she had adopted a higher protection. Her unfortunate geographical situation, her large class of workmen and her need of food supplies, contributed to her having adopted a less protectionist policy.

The fact however, that she had to carry on international commercial relations with her neighbours, which adopted an elaborate controlling system of the foreign trade, compelled her to resort to similar measures. The fall in currency again has its share in the adoption of those restrictive measures.

The reorganisation of her economic life after the War, and the tendency to decrease its dependence on foreign markets, so that her adverse balance of commerce might be reduced, gradually turned Austria's economic policy towards the channels of protectionism.

The tariff which was enforced on 1st January 1925 marks the beginning of this new era. The law sought somewhat to bring a compromise between the adverse interests of agriculture and industry. While increasing the duties on industrial articles, she adopted at the same time duties for agricultural

In so far as the major part of the imported articles were concerned, the new tariff did not alter too much the situation which existed previously. The tariff of 1925 granted moderate protection to the basic industries of the Republic, but did not neglect the interests of commercial countries.

This moderate policy as regards tariffs however, has since been modified. During the years 1925 to 1930, several amendments were made to the existing tariffs, and all of them were considered to increase the protection. Particularly important were the amendments of 1927 and 1930. The iron industry, textiles and particularly agriculture, benefited by the new duties imposed, through the change of the tariff of 1925.

All the time Austria sought to intensify her commercial relations

through treaty arrangements, and to a certain extent she managed to do so. The present economic depression severely hit Austria, as may be judged from the number of unemployed which increased from 227000 to nearly 4000.000 by January 1931. It is still difficult to foretell if in the long run Austria will be able to live as an independent entity. Given a policy of improved relations with her neighbours, it is probable that a steady progress towards economic success may be achieved.

Considering the achievements of the Succession States as a whole, it is possible to discern a steady progress in their economic relations and trade. Mr. Stracosh, in his memorandum submitted to the League of Nations, shows that the foreign trade returns of the Succession states, have been increased steadily from the equivalent of 1370 million dollars in 1922, to 2944 million dollars in 1927.

The progress would have been perhaps more striking if better co-operation between these states had been possible. There was particularly in the first years following the conclusion of the World War reluctance on their part to recognise that their territories are needful to each other, and that they together form an economic unity. This state of mind may be found in the case of every one of these states.

Waste of capital and uneconomic distribution of industries was the result. / By the adoption of high tariffs, the establishment of much industrial plant was possible in the agrarian states, and even in the industrial portions of the old Austro-Hungarian Empire.

Lack of capital - chiefly in the agricultural portions of the former Empire - rendered the situation still more difficult. High prices were but the natural consequences of this policy, apart from the fact that some other national branches were - if not neglected - at least not provided with adequate facilities for credit. 2/

The mercantilistic spirit of the 18th century may be traced in following the tariff policy of each state. The tendency to decrease imports and increase exports can be perceived. It seems that they have forgotten the elementary truth that "if you want to sell you must buy".

It has been pointed out several times that international trade was diminished by the existing economic barriers between them. It is true that ever since the year 1925, there existed between them commercial arrangements, and mutual reductions were granted, but as a rule these arrangements were liable to be repealed at short notice

- 1) The Milling industry in Czechoslovakia and textile industry in Austria.
- 2) Agriculture in the countries where land reform was carried out.

and in fact they were frequently changed.

The economic "rapprochement" between them would have been advisable and perhaps would have been easier to accomplish a few years before, when agricultural interests of the industrial states were not yet satisfied, but with the intensification of protective measures on both sides in agricultural as in the industrial states, the "rapprochement" seems to be more difficult to attain. The economic depression however, compelled the states to consider various schemes for the solution of their economic troubles in common.

The most likely lines to be followed appear to be the mutual co-operation of those states or groups of states whose economic development is more or less on the same plane, and then then the difference between them is not so marked; while agricultural countries have made various attempts lately to create the closer relations between each other, and to set up a united front for the defence of their interests.

Co-operation between the two groups of countries by the establishment of preferential treatment between them or by any other device which is likely to be tried, will do much to relieve the present state of affairs, and to further the path towards peace.

Healthy and prosperous peasant community in the South Eastern Europe is necessary if the present social arrangements are to be maintained in Europe. Well-to-do peasants also will solve many of the economic troubles of Western and Central Europe, and this can only be achieved if the industrial countries which are the strongest will give them help by the granting of financial assistance, and by the assurance that their products can be sold on their markets.

Agrarian countries should give up the idea of quick industrialisation and the industrial countries should realise that too many efforts to attain a balance between agriculture and industry proves much too costly in the end.

In order to achieve prosperity international co-operation rather than mistrust is necessary. However great the efforts of the League of Nations in promoting mutual understanding were, it is to be hoped that still greater efforts will be made in future, and gradually the obstacles which are to-day in the way of international trade will eventually be surmounted.

APPENDIX.

Geographical distribution of Rumanian Export Trade.

	<u>1913.</u>	<u>1922.</u>	<u>1923.</u>	<u>1924.</u>	<u>1925.</u>	<u>1927.</u>
Austria.	14.3	7.08	10.4	14.1	14.92	13.1
Hungary.		17.10	12.5	14.9	11.7	8.3
Germany.	7.8	5.86	7.3	5.8	8.45	18.6
Czechoslovakia.		8.-	4.4	9.27	9.41	5.3
Poland.		3.23	2.4	3.6	3.4	9.2
Belgium.	27.-	10.27	15.6	5.4	2.5	3.-
France.	9.5	9.6	10.6	6.4	5.7	3.2
Italy.	10.6	8.-	4.3	5.1	4.1	6.7
Gr. Britain.	6.7	2.3	4.8	5.9	8.1	5.9
Egypt.	3.5		3.-		4.7	3.9

Geographical distribution of Rumanian Import Trade.

	<u>1913.</u>	<u>1922.</u>	<u>1923.</u>	<u>1924.</u>	<u>1925.</u>	<u>1927.</u>
Germany.	40.-	19.7	22.7	19.3	16.7	22.9
Austria.						
Hungary.	23.4	16.-	15.6	16.9	16.5	13.3
Czechoslovakia.		9.4	5.-	4.2	3.9	3.7
Poland.			8.3	11.5	14.2	14.2
Belgium.	2.8	1.-	1.8	1.9	2.2	2.5
France.	5.8	5.9	6.6	8.1	7.8	7.1
Italy.	3.7	5.9	7.5	10.-	10.9	8.7
Gr. Britain.		8.9	9.2	9.9	10.5	8.4
U.S.A.	5.4	3.3	1.6		1.8	2.9

1. Figures based on the "Les forces économiques de la Roumanie",
 Annual Review published by the Hammarstedt Bank & Co.

FOREIGN TRADE OF HUNGARY, according to countries.

IMPORTS.

	1920.	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929.
Austria.	50.5	37.6	28.8	25.8	23.1	22.5	19.8	17.7	16.2	13.3
Czechoslovakia.	18.7	23.3	23.8	25.-	23.1	24.8	23.3	24.4	22.7	22.6
Rumania.	.9	3.5	7.1	10.2	7.8	8.1	8.1	7.2	7.8	9.1
Yugoslavia.	.3	.7	2.2	3.1	4.6	3.3	3.5	4.2	4.9	5.2
Germany.	8.4	12.9	16.6	14.2	12.5	15.-	16.5	17.8	19.4	19.7
Switzerland.		1.-	1.5	2.2	3.7	3.4	3.9	4.1	4.-	2.6
Italy.	9.7	4.9	2.7	3.-	4.1	4.5	4.6	4.6	4.-	4.3
Gr. Britain.		1.6	3.1	1.5	2.1	3.1	2.5	3.2	2.9	2.9
Poland.		1.7	4.3	6.4	5.5	4.9	5.1	4.7	4.1	4.8

EXPORTS.

	1920.	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929.
Austria.	60.5	53.-	38.1	43.6	36.4	33.5	36.7	34.7	34.-	31.-
Czechoslovakia.	13.5	16.-	15.-	11.-	24.-	24.1	19.9	19.5	17.7	16.2
Rumania.	1.3	4.8	11.4	8.7	4.-	4.-	3.9	4.4	5.4	4.5
Yugoslavia.	3.2	4.7	9.8	6.9	7.8	7.8	5.4	5.1	6.6	5.9
Germany.	11.1	9.2	9.1	6.1	9.9	9.9	12.9	13.2	11.6	11.5
Switzerland.		2.-	2.6	3.3	2.2	2.2	3.1	3.4	3.6	3.9
Gr. Britain.		.9	.1	2.5	1.2	1.2	1.4	2.3	3.9	3.3
Poland.		2.-	2.4	1.7	4.7	4.7	1.6	3.5	3.1	1.6
Italy.	2.8	3.5	4.2	5.-	4.-	4.-	6.8	3.7	3.5	6.8

1) all dates relating to Hungary are based on the 'Commece and Industry of Hungary' annual Review published by the Budapest Chamber of Commerce.

Hungary's IMPORTS, according to classes of products.

	<u>1921.</u>	<u>1922.</u>	<u>1923.</u>	<u>1924.</u>	<u>1925.</u>	<u>1926.</u>	<u>1927.</u>	<u>1928.</u>	<u>1929.</u>
Raw materials.	18.2	22.6	29.4	27.9	29.8	32.-	30.4	32.5	37.4
Half finished.	16.-	23.3	26.8	22.3	20.3	22.4	23.8	22.4	22.4
Finished goods.	65.7	55.-	43.7	49.2	49.2	45.4	45.1	45.-	40.-
Foodstuffs.	6.6	8.3	5.6	8.1		8.6	8.3	8.5	9.1
Livestock.	1.1	.1	.2	.3		.1	.2	.1	.8
Auxiliary mat.	8.6	10.5	13.4	12.-		10.6	11.6	11.8	13.6
of agriculture.									
Ind. Art.	83.5	80.9	80.6	79.8		80.7	79.9	79.5	77.1

Hungary's EXPORTS, according to classes of products.

Raw materials.	36.4	35.9	43.9	52.9	61.1	69.6	64.1	57.7	59.8
Half finished.	6.3	8.7	7.7	4.6	4.7	4.2	5.6	7.5	6.9
Finished goods.	57.2	55.2	48.2	42.3	34.1	26.-	30.2	34.7	33.1
Foodstuffs.	52.4	39.8	47.5	57.-	52.5	57.1	54.2	50.5	50.5
Livestock.	6.-	13.-	11.-	10.-	12.6	11.9	12.7	11.-	15.4
Auxiliary mat.	5.7	3.8	7.9	6.1	9.6	8.6	5.7	5.6	6.3
of agriculture.									
Ind. Art.	35.8	43.2	33.3	26.7	25.1	22.3	27.3	32.7	23.2

Index numbers of Imports and Exports taking 1920 as 100.

<u>IMPORTS.</u>	125.-	129.-	101.-	168.-	177.-	197.-	237.-	245.-	218.-
<u>EXPORTS.</u>	185.-	201.-	206.-	350.-	426.-	456.-	430.-	429.-	546.-

Hungary's manufacturing industries for the years 1913 1921-1928.

Industrial Branch.	Number of industrial establishments.									
	1913.	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	
Iron and Metals	240	245	216	270	252	264	270	324	307	
Machines	139	170	180	179	175	181	185	184	171	
Electric power plant.	91	110	123	139	131	159	217	251	259	
Stone, pottery, glass.	421	468	407	442	402	478	503	602	614	
Wood, bone.	225	281	258	324	301	339	350	391	425	
Leather, Bristles,) and) Feathers.)	48	94	68	85	86	81	86	87	88	
Weaving and spinning.	125	131	132	193	188	228	236	291	284	
Clothing.	105	102	89	114	100	98	104	150	153	
Paper.	52	60	54	56	55	56	63	68	68	
Food & dainties.	378	576	798	911	772	854	789	845	863	
Chemicals.	150	198	171	215	196	202	207	239	229	
Printing and art.	107	130	97	97	97	103	103	112	117	
	2080	2565	2593	3045	2755	3043	3113	3544	3578	

Hungary's manufacturing industries for the years 1913 1921-1928.

Industrial Branch.

Numbers of Employees (in thousands).
1913. 1921. 1922. 1923. 1924. 1925. 1926. 1927. 1928.

Iron & Metals.	35.6	29.6	38.2	39.6	30.7	31.8	31.6	38.4	38.-
Machines.	44.5	33.2	40.9	41.8	30.7	31.5	30.4	33.2	32.2
Electric Power plant.	2.1	4.1	4.7	5.3	5.2	5.5	6.3	6.8	7.3
Stone, Pottery, Glass.	32.8	19.1	29.7	30.2	19.2	23.8	29.6	35.7	35.1
Wood, bone.	11.9	8.6	13.6	13.9	10.5	10.7	11.9	14.1	14.4
Leather, Rattles Feathers.	5.7	5.3	6.4	6.5	6.3	5.8	6.3	6.4	6.3
Weaving & spinning.	16.9	13.1	19.1	26.7	28.4	33.3	34.2	43.3	43.6
Clothing.	7.5	5.1	6.3	6.2	5.3	5.3	5.-	7.6	7.5
Paper.	3.9	1.8	2.3	2.6	2.1	2.3	2.9	3.8	3.8
Food & Dainties.	40.5	35.5	45.6	49.6	38.9	38.3	36.6	38.4	39.3
Chemicals.	9.7	8.2	10.5	11.6	8.4	8.5	9.5	10.5	10.4
Printing & Art.	9.2	6.0	7.1	6.7	5.8	6.8	1.1	8.5	8.9
	219.2	170.3	225.1	241.2	194.0	202.7	210.4	247.0	247.3

Jugoslavian Exports, according to countries of destination from 1920-29.

	1920.	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929. (only for 10 mths)
Italy.	26.9	23.4	28.-	23.6	28.9	25.2	25.-	24.8	26.-	24.8
Austria.	42.6	35.8	22.9	28.9	24.4	18.5	20.5	22.6	17.9	15.1
Germany.	7.5	16.1	8.4	4.2	4.-	7.1	9.2	10.6	12.1	8.7
Czechoslovakia.	5.1	4.1	8.1	7.8	9.8	9.3	12.-	11.3	8.9	5.4
Hungary.	2.1	1.2	5.2	4.7	7.9	5.1	4.7	7.6	8.8	6.9
Greece.	4.5	5.1	4.6	5.7	7.-	7.4	7.3	9.6	8.3	7.2
France.	3.1	1.6	5.8	4.3	3.8	2.-	2.4	2.7	3.8	4.1
Switzerland.	3.6	6.8	7.6	6.4	4.-	4.1	3.7	3.3	3.1	2.2
U.S. Britain.			1.8	2.1	1.3	- .9		1.3	1.5	
Rumania.					2.6	13.6	10.-		1.2	13.5
Poland.						1.1			1.3	
Other countries	3.7	5.5	7.1	6.9	5.7	4.1	4.7	5.8	6.7	1.1

Jugoslavian Imports, according to countries of origin from 1920-29.

Austria.	20.6	28.1	28.2	26.9	19.7	18.3	20.-	19.5	17.2	17.4
Czechoslovakia.	9.2	20.4	19.8	18.5	20.-	17.8	18.7	19.2	17.8	17.5
Germany.	1.4	4.2	7.1	8.7	8.3	9.9	12.-	12.3	13.6	15.5
Italy.	36.5	20.7	15.3	17.6	20.5	18.7	13.8	12.9	11.9	10.6
Hungary.			2.6	1.6	2.9	5.-	4.6	4.9	6.6	6.4
U.S. Britain.	7.-	5.9	7.1	9.9	10.6	8.1	5.7	7.-	5.7	5.7
France.	2.3	2.4	3.5	3.6	3.8	3.9	4.-	3.4	4.9	4.8
Poland.	3.8	4.5	3.-	3.2	3.3	3.6	4.6	4.3	4.5	4.-
Rumania.							1.1	1.8	2.7	
Brazil.	3.8	1.-	3.7	2.5	2.2	3.6	4.3	3.7	2.6	2.3

The nature of Exports from 1919-1927.

Agricultural products.	31.-	34.-	33.-	14.-	18.-	22.-	38.-	38.-	19.-
Animals and their prod.	31.-	15.-	40.-	41.-	37.-	32.-	21.-	26.-	33.-
Timber products.	3.-	24.-	8.-	17.-	20.-	21.-	16.-	14.-	20.-
Agricultural ind. prod.	11.-	9.-	6.-	5.-	4.-	5.-	4.-	3.-	3.-
Minerals.	2.-	6.-	6.-	8.-	9.-	11.-	4.-	3.-	4.-

Based on the Belgrade Economic Review,

and in the

Ministère de Commerce, Belgique Commerciale et la Commerce extérieur du Royaume des

Distribution of Czechoslovak Imports.

Countries.	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929.
Austria.	7.8	6.5	7.8	7.4	7.4	7.1	7.5	7.9	7.2
Hungary.	5.4	3.5	5.5	6.4	6.7	5.4	4.4	4.6	4.8
Germany.	27.9	40.4	35.2	31.2	21.2	20.9	24.8	26.-	24.4
Italy.	2.3	4.5	6.2	4.1	2.2	2.2	2.2	2.4	2.6
United Kingdom.	5.1	3.3	2.8	3.7	4.-	4.5	4.3	4.-	4.-
U.S.A.	18.9	7.-	5.6	6.4	5.1	6.9	5.9	5.4	6.2
Poland.	2.6	3.7	4.6	7.-	7.2	5.7	6.5	2.3	2.9
Hambury.	0.4	2.-	4.4	6.1	9.7	10.3	9.6	13.3	14.5
Other countries.	59.6	29.1	27.7	27.7	36.5	37.-	34.8	34.1	33.9
	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>

Distribution of Czechoslovak Exports.

Austria.	22.-	21.-	20.7	17.3	16.3	15.2	14.7	16.2	15.-
Hungary.	8.8	5.7	6.7	6.3	6.9	8.1	6.9	7.6	6.36
Germany.	18.8	20.4	19.5	22.5	19.9	24.1	22.1	24.2	39.2
Italy.	3.7	3.7	4.9	4.-	2.5	2.3	2.5	2.8	2.7
United Kingdom.	7.5	9.7	9.3	8.2	8.6	7.6	6.9	7.6	6.9
U.S.A.	5.2	4.4	4.2	4.-	4.7	5.-	5.5	6.-	7.2
Hamburg.	4.8	2.4	4.9	1.4	1.4	1.2	1.3	5.5	3.5
France.	4.3	2.4	1.7	1.4	1.4	1.6	1.4	1.3	1.-
Jugoslavia.	3.9	5.1	4.7	4.-	6.8	4.3	4.6	4.9	5.5
Other countries.	20.5	25.2	31.4	30.9	31.5	34.1	34.1	22.8	32.8
	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>	<u>100.-</u>

1) Based on the publications of the League of Nations up till 1927, the two last years taken from the publication of the "Penscheck & Co. Bankers".

Geographical distribution of Austria's Foreign Trade.

	<u>EXPORTS.</u>									
	<u>1920.</u>	<u>1921.</u>	<u>1922.</u>	<u>1923.</u>	<u>1924.</u>	<u>1925.</u>	<u>1926.</u>	<u>1927.</u>	<u>1928.</u>	<u>1929.</u>
Czechoslovakia.	10.3	10.3	10.9	11.1	12.1	11.6	12.5			
Hungary.	12.9	8.3	8.7	8.3	10.1	9.9	7.8			
Rumania.	6.4	7.5	6.6	5.9	6.5	6.2	6.-			
Jugoslavia.	12.5	13.2	10.3	9.-	8.9	7.6	7.5			
All Danubian states.	<u>42.1</u>	<u>37.3</u>	<u>36.5</u>	<u>34.3</u>	<u>37.6</u>	<u>35.3</u>	<u>33.8</u>			
Germany.	14.7	13.-	13.1	15.1	11.7	18.5	18.3			
Poland.	9.2	8.-					5.5			
Italy.	10.2	9.2	10.1	10.4	10.2	8.1	8.8			
Switzerland.	4.7	7.-	6.6	4.8	6.3	5.6	6.-			
U.K.	3.5	4.5	4.3	3.6	4.-	3.7	3.7			
France.	1.2	1.9	2.5	2.6	3.1	2.5	2.4			

1) Based on the publications of the League of Nations.

The character and nature of Austrian Foreign Trade (in thousand of tons.)

IMPORT.

	<u>1925.</u>	<u>1926.</u>	<u>1927.</u>	<u>1928.</u>	<u>1929.</u>
Cattle.	174.1	189.5	187.2	197.4	169.5
Foodstuffs.	1330.8	1463.9	1408.1	1300.6	1426.1
Mineral oil.	5275.7	5126.-	5603.3	5713.5	6660.8
Raw mat. and semi-mfrd.	1117.-	1161.1	1232.-	1448.2	1593.8
Manufactured Goods.	342.1	322.1	323.-	379.-	403.4
Cold and silver.	0.4	0.2	0.5	0.2	0.15

EXPORT.

	<u>1925.</u>	<u>1926.</u>	<u>1927.</u>	<u>1928.</u>	<u>1929.</u>
Cattle.	17.5	16.5	21.5	14.2	20.5
Foodstuffs.	54.2	45.1	49.6	120.4	58.0
Mineral oil.	63.7	198.2	165.4	78.6	
Raw mat. and semi-mfrd.	2553.1	2462.7	3117.5	3892.9	3556.6
Manufactured Goods.	556.7	505.4	574.2	587.0	574.6
Precious metals.	0.6	0.3	0.5	0.3	0.2

1) The figures for the first three years are based on the Austrian Yearbook published by the Austrian Chamber of Commerce and Industry, for the year 1929 on the monthly Review of Central Europe.

A U S T R I A.COMMODITY GROUPS OF IMPORTS (percentage distribution by value).

<u>GROUPS.</u>	<u>1920.</u>	<u>1921.</u>	<u>1922.</u>	<u>1923.</u>	<u>1924.</u>	<u>1925.</u>	<u>1926.</u>	<u>1927.</u>	<u>1928.</u>	<u>1930.</u>
Live animals.			5.-	6.4	6.9	9.-	9.6	8.7	8.2	7.8
Art. of food and drink.			25.6	26.1	26.9	26.7	27.3	24.7	22.5	21.6
Raw mat. and semi-mfrd.			31.-	31.5	29.4	29.5	26.8	28.2	28.3	30.-
Mnfrd goods.			38.3	35.9	36.-	32.2	33.5	35.2	38.7	39.-
Gold and silver.			-.1	-.1	-.8	2.5	2.8	3.2	2.3	1.6

COMMODITY GROUPS OF EXPORTS.

Live animals.	-.8	1.3	-.8	1.5	1.3	1.5	1.3	1.5	1.-	-.8
Art. of food and drink.	2.-	1.5	2.3	1.3	1.9	1.7	1.7	2.3	2.3	2.-
Raw mat. and semi-mfrd.	15.4	15.5	18.1	20.3	21.8	22.7	22.3	22.3	22.3	22.-
Mnfrd goods.	81.1	81.-	77.9	73.2	72.6	71.1	72.6	72.6	72.6	73.8
Gold and silver.	-.7	-.7	-.9	3.2	2.4	3.-	1.8	1.8	1.8	1.5

1) Memorandum on Trade and Balance of Payments: League of Nations.

These are the percentages of imports and exports of goods and services for the League of Nations period.

EXPORTS OF THE DANUBIAN STATES AS PERCENTAGE OF IMPORTS.

Basis Recorded Value; special trade, merchandise, bullion and spice.

	1913.	1920.	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929
Austria.											
Czechoslovakia		54.9	55.6	63.2	58.8	57.2	68.4	61.3	65.9	68.2	61.1
Hungary.		117.9	121.7	142.5	123.-	107.4	106.8	116.9	122.-	105.4	96.7
Rumania.	91.8	39.4	48.8	61.2	81.6	81.9	95.3	89.9	70.5	90.7	102.1
Jugoslavia.	112.7	49.4	68.-	113.9	126.-	106.2	97.4	102.9	112.8	0.83	0.97
Austro-	79.4	38.1	59.7	57.3	96.9	116.-	101.7	102.4	102.4	87.8	104.1
Hungary.	87.3										

1) Based on the "Memorandum on Trade and Balance of Payments" published by the d. of for the last two years figures were calculated.

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