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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

COUNTRY Hungary

SUBJECT Russo-Hungarian Economic Talks

ORIGIN

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- The following is a digest of the report made by the Hungarian Finance Minister Istvan Nyarady and presented to the Hungarian Cabinet [redacted] on the pre-50X1-HUM liminary economic negotiations between the Soviet and Hungarian Governments in Moscow. Nyarady was recalled to Hungary to report on the progress of the 50X1-HUM negotiations.

[redacted]

- The Soviets insisted, as a matter of procedure, that the secondary questions should be settled first and the Potsdam points should be discussed later.
- The secondary points under discussion at Moscow and now laid before the Hungarian Cabinet are as follows:

- "How are the joint Soviet-Hungarian companies to be provided with raw materials and foreign exchange?"

([redacted] comment: The Soviet aim is to gain an exceptional position for these companies. The Hungarian Ministry of Commerce has raised objections to the wording of this point.) 50X1-HUM

- Arrangements for hire-work for the joint Soviet-Hungarian companies

([redacted] comment: The Soviet aim is for these companies to operate tax-free.) 50X1-HUM

- The transfer of dividends by the Russian side of joint companies and by Soviet companies in Hungary.

([redacted] comment: The Soviets require special terms. If (a), (b) and (c) are agreed upon the situation will be tantamount to one of extra-territoriality for Soviet and joint Soviet-Hungarian companies.) 50X1-HUM

taxes and dues to be paid by Soviet companies.

([redacted] comment: This refers to certain reparation deliveries which have not yet been made.)

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- e. Redemption of debts by the Hungarian Government to joint Soviet-Hungarian and Soviet companies.
- f. The creation of a permanent committee for economic cooperation between the Soviet Union and Hungary.
- g. The repayment of certain losses incurred by the joint Soviet-Hungarian Maszart (Shipping and Coal Mining) Company.

() comment: Maszart owns a number of mines in the Pécs district. The company complains that the prices paid are too low and wish to be put on the same basis as the subsidized state-owned mines.)

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- h. The amount of crude oil to be delivered to the Soviet-Hungarian Molaj oil company.

() comment: The Soviets are demanding that 10,000 tons of crude oil should be delivered to Molaj. Further, they require an annual delivery of 20,000 tons of crude oil to Molaj against payment.)

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- i. The question of certain taxes, dues, and customs duties in favor of the Soviet-Hungarian air line Maszovlet for equipment and material imported for the use of the air line.
- j. The sale of four small gauge railways in Hungary in which the Soviets own shares.

"Keszthely-Vidék	Soviet holding	66.5%
Pécs-Bácsi	" "	3 %
Szentlőrinc-Drávaparti	" "	20.8%
Budapest-Esztergom-Püszit	" "	53 %

() comment: The Soviets require that after a number of years the Soviet shares in these relatively unimportant railroads should be purchased by the Hungarian State Railroads for the sum of 50,000,000 florint. This price is regarded as being too high and the railroads may be handed over to the Soviets entirely.

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- k. Measures and instructions to local authorities concerning the remaining German assets to be handed over, and the punishment of those reluctant to do so.
- l. The Hungarian Ministry of Justice shall decree that all changes in the land register and the company register shall be carried out most speedily.
- m. The joint Soviet-Hungarian Bauxite and Aluminum Company should be given the right of search for new deposits throughout Hungary as well as certain priorities.

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