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CENTRAL INTELLIGENCE GROUP  
INTELLIGENCE REPORT

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COUNTRY Hungary/Rumania/Yugoslavia/Czechoslovakia

DATE:

SUBJECT Hungarian Reparations to USSR, Yugoslavia, and Czechoslovakia

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DISTRIBUTION

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The following [redacted] shows details of Hungary's reparations liabilities paid during 1945/1946, and those to be delivered during 1947 and subsequent years, together with information on future negotiations.

1. The Armistice Agreement fixed 20 January 1945 as the date on which Reparations Payments to the USSR, Yugoslavia, and Czechoslovakia were to commence. However, actual reparations consignments could be effectuated only in June 1945, when fighting had ceased and order was restored.
2. At first the practical duties in connection with the transactions were carried out jointly by the Interim Armistice Commission, the Reparations Commission, and the Hungarian Economic Office of the SZEB (Allied Control Commission). However, owing to the unsatisfactory activity of these offices, the Prime Minister established the Reparations Bureau by Decree No. 1500/1946. The purpose of this Bureau is to carry out all business in connection with reparations or other obligations of an economic nature. The auxiliary organ is the Iparművek Képviselete Államiértékt Rt. (IKART) (Representation of Industrial Works in which the State has an interest), with which the Bureau has concluded a contract for the administration of the industrial consignments. It is also the task of the IKART to dismantle the works appointed in the Reparations Agreement and to carry out the consignments (furnishings and equipment). The Bureau is also in connection with the Szállítások Vas és Gépipari Munkaközösségével (The Community of Labor in Reparations Consignment in the Iron and Machine Industry), a branch of the GYOSZ, whose task it is to distribute the reparations orders among the industrial enterprises according to their capacity.
3. In the case of agriculture the commercial transactions in connection with the Reparations consignments will be carried out; by commission of the Ministry of Agriculture; by the Magyar Árucseraforgalmi Intézet Rt. (Hungarian Trade Institution) whose agents for inland purchases are the Léértékesítő Szövetkezet (Cooperative Society for the buying and selling of horses); and the Mezőgazdasági Szövetkezeti Központ (Agricultural Cooperative Center).

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4. In connection with [redacted] reparations liabilities [redacted] the goods must be handed over, packed, at the frontier station or port appointed on each occasion by the country concerned. The expenses involved also serve to increase [redacted] reparations liabilities.

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## I. REPARATIONS, YEAR 1945

Reparations to the USSR. According to the Agreement, in 1945 Hungary was to pay reparations to the USSR only. The so-called "original" liability to be paid between June 1945 and 20 January 1946 is as follows:

	Rep. in million dollars	Total in %
Dismantled articles	9.9	29.8
Industrial articles to be manufactured	17.4	52.2
Petroleum	1.2	3.6
Agriculture	4.8	14.4
Animals	0.7	
Vegetable produce	4.1	
	33.3	100.0

The above table shows that 82% of [ ] reparations liability was fulfilled by consignments from the iron, metal and machine industry, which, owing to reconstructions and lack of man-power and material, the industry was able to fulfil only as indicated below:

	Original liability (6 years)	Fulfilment of new liability	%
		in million dollars	
I. Mechanical equipment	16.5	5.3	32.1
dismantled		4.6	
other mechanical equipt.		0.5	
machine for the electric industry		0.2	
II. Railway equipment	2.9	1.0	34.5
III. Ships, floating cranes	0.5	-	-
IV. Semi-finished metal products	7.4	2.5	33.8
V. Agriculture	4.8	0.2	4.2
vegetable products		0.1	
animals		0.1	
VI. Sole leather	-	-	-
VII. Petroleum	1.2	1.2	100.0
	33.3	10.2	30.6

## II. REPARATIONS YEAR 1946

Reparations to the USSR. The first half of 1946, memorable for the great inflation, began with [ ] success in coming to an agreement with the USSR concerning the arrears for 1945. According to the agreement [ ] settle [ ] arrears in the first half of 1946 and commence the payment of [ ] liabilities for 1946 in the second half of the year.

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The extension of the time limit for the consignments did not improve to any great extent the financial and economic difficulties of the country, and these difficulties caused the government to enter into negotiations with the USSR concerning the mitigation of our liabilities, in order to restore the equilibrium of our economy. The National Bank of Hungary, in its essay entitled "The Position of Hungary's Reparations Liabilities" gave a detailed account of the result of the Moscow conference which took place in April 1946, where an agreement in principle was drawn up granting  eight instead of six years for the fulfillment of  liabilities.

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7.  liabilities in yearly reparations consignments are contained in a communication of 27 July 1946 from the USSR. The new consignments estimation for 1946, representing only 65.5% of the original 33.3 million dollars worth, is a further reduction, as owing to the transfer of the Hungarian owned shares in the Rumanian coal mine of Petrosani, our liabilities for 1946 in the iron, metal, and machine industry have been reduced to approximately 51.2% of the original.
8.  the tables  give a detailed account of payments fulfilled, with the comment that the figures must not be considered as final until the Soviet-Hungarian Commission has closed the proceedings of conformation. According to these figures,  consignments up to approximately 1.6 million dollars worth and an estimation of advance consignments of 0.4 million dollars worth for 1947. The reason for the excess consignments was, that the heavy industry, manufacturing mostly for reparations, was not able to make an extensive change in its production plan and was therefore obliged to continue the delivery of raw and semi-finished products suitable only for reparations.

(Table of Reparations paid to the USSR in 1946 on the following page)

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Reparations paid to the USSR in 1946

Groups of Articles

In million dollars										
	1	2	3	4	5	6	7			
I. Machines for equipment	4.2	7.0		4.1	3.4	7.5	0.5		0.3	
dismantled		2.1	1.6		0.6	2.2	0.1			
electrical industr. machines		1.9	0.8		1.4	2.2	0.3		0.1	
new machines for equipment		2.4	1.3		2.6	2.6	0.2		0.2	
other industrial equipment		0.6	0.4		0.1	0.5		0.1		
II. Railway equipment	3.4	3.4		1.7	1.8	3.5	0.1		0.1	
III. Ships, floating cranes	0.5	0.5		0.2	0.3	0.5				
IV. Semi-finished metal products	9.8	3.1		2.3	1.7	4.0	0.9			
products of metal industry		2.7	2.3		1.4	3.7	1.0			
ship repairs		0.4	-		0.3	0.3		0.1		
V. Agriculture	3.5	3.5		1.1	2.3	3.4		0.1		
vegetable products		2.4	0.7		1.6	2.5		0.1		
animals		2.1	0.4		0.7	1.1				
VI. Sole leather	0.1	0.1		-	0.1	0.1				
VII. Petroleum	0.3	0.5		0.5	0.2	0.7	0.2			
VIII. Sundry	-	3.7		0.1	3.6	3.7				
bauxite		0.2	0.1		0.1	0.2				
Petrosani coal mine		3.5	-		3.5	3.5				
	21.8	21.8		10.0	13.4	23.4	1.7		0.4	

According to data of Reparations Bureau, 20th February 1947. The figures may not be considered as final.

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9. Reparations to Yugoslavia. There being no Agreement, [ ] reparations liabilities to Yugoslavia paid in 1945 and at the beginning of 1946, were in the form of advance consignments. Adding the total of the advance consignments to the final estimate for 1946, our liabilities according to groups of articles are as follows:

Groups of articles	Liabilities for 1946 acc. to 9 years pay. in 1,000\$
I. Machines for equipment	1,720.1
electrotechnic	197.0
telephone equipment	261.0
machine tools	189.0
machines for the chemical industry	183.0
machines for the food industry	14.0
cranes	6.0
agricultural machines	520.4
mining equipment	206.0
pumping	143.7
II. Railway equipment	746.0
transporting equipment	710.0
signalling equipment	36.0
III. Ships, floating cranes	146.0
IV. Semi-finished productions of metal	856.1
V. Agriculture	567.0
vegetable products	496.2
animals	59.6
advance consignments	12.2
VI. Sole leather	-
VII. Petroleum	378.4
VIII. Sundry	2,536.4
Coal, coke	503.7
miscellaneous	6.0
effective dollars	76.3
financial limit	1,360.4
	7,000.0

10. A detailed account from the Reparations Bureau not being available, the round figures of the following table indicate to what extent Hungary fulfilled her liabilities to Yugoslavia in 1946. A remarkable item is that of the effective dollar notes, which, in a proposition dated 31 August 1946 and addressed to the Supreme Economic Council, the Bureau offered as reparations at a rate somewhat above the usual, in order to reduce [ ] industrial consignments. The ministr<sup>50X1-HUM</sup> of Finance and the National Bank of Hungary took steps to prevent such arrangements in the future, as this would not only reduce [ ] reserve of foreign cur<sup>50X1-HUM</sup> rency and, through this, the volume of [ ] import for convertible foreign<sup>50X1-HUM</sup> currency, but would cause other countries to demand effective foreign currency regularly as part of [ ] reparations liabilities.<sup>50X1-HUM</sup>

Articles	Rep. 20/1/46-1/8/46;		Liabilities for		Arrears
	1/8/46-20/1/47	Total	1946		
Indus. rep	823.7	3,986.8	4810.5	6433.0	1622.5
" consign.	823.7	2070.8	2894.5	4556.6	1462.1
" advance "	-	1200.0	1200.0	1860.4	160.4
" effective (	-	716.0	716.0	716.0	-
Agricul. rep	12.2	301.3	315.5	567.0	253.5
" consign.	-	301.3	301.3	554.8	253.5
" advance "	12.2	-	12.2	12.2	-
TOTAL	835.9	4,288.1	524.0	7000.0	1876.0

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11. Reparations to Czechoslovakia. Until the Agreement was concluded on 6 April 1946, Czechoslovakia received advance consignments from Hungary, as did Yugoslavia. In connection with these consignments, the Ministries of Industry and Public Supply drew up a plan according to which a part of the advance consignments to Czechoslovakia (approximately 50%) was to be taken into a Trade Agreement to enable [ ] import, on a barter basis, indispensable industrial and agricultural cultural implements. The plan, which would have meant the more equal distribution of [ ] reparations liabilities, and, taking into consideration that articles would have been paid for on the basis of the world market dollar rate of 1938, a reduction of our reparations expenses, except for barter agreement, did not succeed. The following gives the details, including the value of the advance consignments, of [ ] 2,955.4 thousand dollars liability as fixed in the Agreement of 6 April 1946. Opposite [ ] liability as fixed by the Agreement, in a separate column, is shown the Reparations Bureau's estimate of 2,180.5 thousand dollars for 1946, which the Bureau laid before the Czech delegation shortly after the acceptance by the Russian eight year progressive transport concessions and on the acceptance of which, owing to the passivity of the Czech government, negotiations are still in progress.

Groups of Articles	Liabilities as per Agreement	Liabilities as per 8 year plan
	in 1000 dollars	
I. Machines for equipment	183.3	31.6
Public vehicles	57.0	23.0
Machines for mining & building industry	52.7	50X1-HUM
Machines for electric industry	25.8	-
Pumps	7.7	-
Instruments, fine technical	40.1	8.6
II. Railway equipment	310.7	23.9
Bridges		20.0
Rolling stock	310.7	3.9
III. Ships, floating cranes	166.9	61.5
IV. Semi-finished metal products	239.2	210.7
V. Agriculture	854.4	452.0
VI. Sole Leather	-	-
VII. Petroleum	344.0	344.0
VIII. Sundry	856.9	1056.8
building material	513.2	134.1
furniture	40.5	37.7
miscellaneous	53.2	80.0
bauxite	250.0	40.0
expenses (effective)	-	500.0
advance consignments	-	265.0
	2,955.4	2,180.5

12. Below, there being no detailed account available, [ ] a summary of [ ] reparations payments in 1946. Payments made up to the introduction of the forint and those made after are indicated in separate amounts and appear as against the Hungarian proposition of 2,180.5 thousand dollars liability, as the actual consignments were carried out taking this into account.

As in the case of Yugoslavia, Czechoslovakia also received 500,000 dollars in bank notes in order to mitigate [ ] industrial liabilities. The position of reparations fulfilled is as follows:

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Articles	Rep. 20/1/46- 1/8/46	1/8/46- 20/1/47	Total In 1000 dollars	Liabilities for 1946	Arrears
Indus. rep.	533.3	966.7	1,500.0	1,728.5	- 228.5
" consign.	268.3	466.7	735.0	963.5	
advance con.	265.0	-	265.0	265.0	
effective \$	-	500.0	500.0	500.0	
Agricult. rep.	58.5	446.4	504.9	452.0	52.9
<b>Total</b>	<b>591.8</b>	<b>1,413.1</b>	<b>2,004.9</b>	<b>2,955.4</b>	<b>175.6</b>

13. III. Liabilities for 1947 50X1-HUM

Liabilities to the USSR. According to the Agreement  reparations liabilities for 1947 are consignments to the value of 23 million dollars. Of this sum six million dollars were deducted from item IV "semi-finished metal products" as the value of Petrosani mine shares, so that actually  liabilities have been reduced to approximately 17 million dollars.

Divided into groups of articles our liabilities are as follows: 50X1-HUM

	Reparations in million dollars	Total in \$
Dismantled articles	1.6	7.0
Industrial articles to be manufactured	11.8	51.3
Petroleum, bauxite, sole leather	0.8	3.4
Agriculture	2.8	12.2
animals	1.1	
vegetables product	1.7	
Petrosani	6.0	25.1
	23.0	100.0

14. Further negotiations for new concessions are in progress.  proposition is as follows:

- a. to offer a consignment on the account of metals to be transported in 1947, of 150-200 thousand tons of bauxite, from two to two and five-tenths times the amount of  original liability of 80 thousand tons, 1000 tons of aluminum, and from one to 1,200,000 dollars worth of goods left over from former orders and partly manufactured. 50X1-HUM
- b. According to the original text of the proposition: "as only 6 millions out of the value of the Petrosani mines are to be reckoned to 1947 and the remaining 2.5 million to 1948,  request the government of the USSR to credit  with this excess of 2.5 million dollars due in 1948, in such a way as to grant Hungary, within the bounds of the Russian-Hungarian Trade Agreement now being prepared, a goods loan for one year to the value of five million dollars in consignments of coke, iron ore, and other basic materials." 50X1-HUM

15.  5 to 6.5 million present dollar value as against 2.5 million reparations dollar value because the present world market prices are at least twice as high as the reparations prices of 1938. 50X1-HUM

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16. The Reparations Plan now in force indicates the following consignments:

Group of Articles	To be paid in 1947 according to 7 year plan.		Advance consignments
	in million dollars		
I. Machines for equipment	0.5	5.3	0.3
discontinued	1.6		-
new equipment	2.3		0.2
electric industrial machines	1.4		0.1
II. Railway equipment	4.8	4.7	0.1
III. Ships, floating cranes	0.9	0.9	
IV. Semi-finished metal products	9.3	2.5	
products of the metal industry	2.0		
ship repairs	0.5		
V. Agriculture	2.9	2.8	
vegetable products	1.7		
animals	1.1		
VI. Sole leather	0.1	0.1	
VII. Petroleum	-	0.2	
VIII. Other articles	-	6.5	
bauxite	-	0.5	
Petrosani coal mine	-	6.0	
	23.0	23.0	0.4

17. Reparations to Yugoslavia

Groups of Articles	To be paid in 1947, according to 8 year plan. in 1000%	
I. Machines for equipment		3,704.9
Electro-technical	913.0	
telephone equipment	296.0	
Machine tools	569.9	
machines for chemical industry	260.7	
machines for food industry	360.0	
cranes	137.5	
agricultural machines	467.3	
mining equipment	366.0	
pumping equipment	334.5	
II. Railway equipment		1,807.6
transport implements	1,737.5	
signalling apparatus	70.1	
III. Ships, floating cranes		37.4
IV. Semi-finished metal products		1,763.8
V. Agriculture		171.0
vegetable products	76.6	
animals	94.4	
VI. Sole leather		
VII. Petroleum		334.8
VIII. Other articles		880.5
coal, coke	141.5	
miscellaneous	739.0	
		9,000.0

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18. Reparations to Czechoslovakia

Groups of Articles	To be paid in 1947, according to 8 year plan. in 10 10's	
I. machines for equipment		484.0
public vehicles	159.0	
machines for mining & building industry	12.1	
machines for electrical industry	27.0	
pumps	-	
fine mechanical instruments	285.2	
II. Railway equipment		880.9
bridges	85.0	
rolling stock	795.9	
III. Ships, floating cranes		240.1
IV. Semi-finished metal products		317.5
V. Agriculture		600.0
VI. Sole leather		-
VII. Petroleum		210.9
VIII. Office articles		966.6
material for building	813.4	
miscellaneous	53.2	
	3,600.0	

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