

Regd. No.

UNRRA (EUROPEAN REGION).

DG 25/12.

| | |
|-----------------|---|
| Date of Paper | FROM WHOM |
| 1.4.46. | UN ② |
| Date Registered | SUBJECT |
| 13,5,46, | <p>RECORD</p> <p>OPENED 1.4.46</p> <p><u>RELATIONS WITH ALLIED CONTROL COMMISSION AND GOVERNMENT</u></p> <p><u>HUNGARY</u></p> |

NOTE. This file must always be passed on VIA the REGISTRY.

(43102D) Wt P768/276 5m 8/45 H J R & L Gp 51

| Referred to | Date | Referred to | Date | Referred to | Date |
|-----------------------|---------|-------------|------|-------------|------|
| P.A. Mr. Wrayht | 13/5 | | | | |
| Mr. Wrayht | 13/6. | | | | |
| Mr. Baker | 20/6 | | | | |
| DA | 22.6. | | | | |
| Mr. G. W. S. S. S. S. | 30.7. | | | | |
| PA | 30.7. | | | | |
| Mr. Head | 7/8. | | | | |
| P.A. | 13.8. | | | | |
| O.A. Registry | 14.8. | | | | |
| Miss L. S. S. | 5/9 | | | | |
| P.A. | 6/9 | | | | |
| Miss Stony | 10.9. | | | | |
| (D. B. U. 86 6) | 6.11.46 | | | | |
| PA | 30.12. | | | | |
| Mr. Rider | 19/5/47 | | | | |

NOTE.-Do not retain this File unnecessarily.

FILE NO.

DG 25/12

Vol II

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| 21.6.46. | Cable 120. | Budapest | E.R.O. Rep'd W'ton 95. | Ref. 20a. | 33. |
| 26.6.46. | Cable 100 | Budapest | Washington Rep'd E.R.O 127. | Re world shortage fertilizers | 34. |
| 1.7.46. | A 5413 | Washington | E.R.O. | Reply to 31. | 35. |
| 5.7.46. | Cable 129 | Washington | Budapest Rep'd E.R.O 9867. | Re 29. | 36. |
| 12.7.46. | 159/KER/46. | Office of Hungarian Govt. Repres. | P.R.D.G. | Encl. memo. on Hungarian Agricultural Production. | 37. |
| 16.7.46. | | T. Wraight | Foreign Office. | Encl. correspondence between Hungarian Minister & W'ton | 38. |
| 23.7.46. | Cable 122 | Budapest | Washington Rep'd E.R.O 162. | Re food distribution in Hungary | 39. |
| 1.8.46. | | Hungarian Govt. Repres. | G. Woodbridge E.R.O. | Encl. letter for Mr. W'guardia for him to visit Hungary. | 40. |
| 2.8.46. | | G. Woodbridge E.R.O. | Hungarian Govt. Repres. | Reply to 40. | 41 |
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| 24.5.46. | | P.R.D.G. | Budapest. | Reply to 17. | 19. |
| 28.5.46. | Cable 6602 | E.R.O. | Washington Rep'd Budapest 74. | Re distribution of supplies. | 20a |
| 28.5.46. | Cable 80 | Budapest | E.R.O. | Re Moratorium food deliveries | 21. |
| 28.5.46 | Cable 48 | Washington | Budapest Rep'd E.R.O 7208 | Resolution 91 applies to Hungary. | 20. |
| 29.5.46. | | T. Balogh | D. Ward | Re relationship between Hungarian Govt. & Munra Mission | 22. |
| 29.5.46. | Resp. no 4544. | E.R.O. | Washington | Re application of Resolution 91 to Hungary. | 23. |
| 30.5.46. | Cable 6749 | E.R.O. | Washington Rep'd Budapest 118 arriving | Ref. 20a. | 24- |
| 6.6.46. | Cable 99 | Budapest | E.R.O. | Re payment transit charges of Munra goods shipped through Hungary. | 25. |
| 11.6.46. | Cable 8132 | Washington | E.R.O. | Reply to 20a & 24. | 26. |
| 14.6.46. | Cable 94 | E.R.O. | Budapest | Re 20a. | 27. |
| 14.6.46. | Cable 4320 | E.R.O. | Washington | Reply to 26. | 28. |
| 19.6.46. | Cable 89 | Budapest | Washington Rep'd E.R.O 114 | June & July Munra shipments for Hungary. | 29. |
| 19.6.46. | Cable 7529 | E.R.O. | Washington | Re local currency proceeds. | 30. |
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| | | | | First shipments of medical supplies to Hungary. | 1. |
| 1.4.46. | Resp. no. 2638. | E.R.O. | Washington | Re assistance to Hungary. | 2. |
| 2.4.46. | | J. W. Wright | W. Hasler Foreign Office. | Re memo. on food & agric. situation in Hungary. | 3. |
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| 9.4.46. | Cable 4843 | E.R.O. | Washington | Re approval of Allied Control Comm. of exchange of letters between the D.G. & Hungarian Govt. | 6. |
| 21.4.46 | Cable 26 | Budapest | E.R.O. Rep'd W40u 17. | Re unallocated funds in Hungary. | 7. |
| 23.4.46 | Cable 4822 | Washington | E.R.O. | Reply to 6. | 8. |
| 25.4.46. | Cable 16 | E.R.O. | Budapest | Re assurances to carry out Hungarian program. | 9. |
| 25.4.46. | | T. Balogh. | Dr. W. Welk. | First impressions on position in Hungary in Spring 1946. | 10. |
| 30.4.46. | | T. Balogh | Dr. Welk. | Second part of preliminary impressions. | 11. |
| 1.5.46. | | T. Balogh | Dr. Welk. | Final part of impressions. | 12. |
| 2.5.46. | Cable 28 | Budapest | Washington Rep'd E.R.O 42. | Hungarian seed requirements | 13. |
| 2.5.46. | Cable 45 | Budapest | E.R.O. | Reply to 9. | 14. |
| 3.5.46. | Cable 32 | E.R.O. | Budapest | Reply to 14. | 15. |
| 4.5.46. | Cable 50 | Budapest | E.R.O. Rep'd Stockholm Dec. 4. | Swedish Govt. will help Hungarian refugees. | 16. |

CONFIDENTIAL

INDEXED

TO: D.D.G. & C.O.S.

FROM: P.R.D.G.

Subject: Dr. Balogh's Letters on the Situation in Hungary

There is, I think, some misunderstanding as to the nature of the documents to which you refer in your minute of 20th June. *Alison 8*

These were not official reports by Dr. Balogh to ERO, but unofficial and personal letters to Dr. Welk giving his first impressions of the situation in Hungary.

I do not myself know how far these letters were based on "official or reliable sources of information" or the extent to which "the authorities of the country concerned" had been consulted by Dr. Balogh. In any case, however, I agree with you in thinking that the circulation of these unofficial letters even within the E.R.O. was unwise. *them* ~~then~~ If they were circulated in E.R.O. a copy should most certainly have been addressed to you, whether or not you were present in London at the time.

You do not, in your minute, say whether you have knowledge that copies of the letters were actually circulated outside the E.R.O. If that was done I agree that such action was highly improper, and that it should be made clear to any recipients that the letters are in no way to be taken as an expression of the views either of the UNRRA Mission to Hungary or of E.R.O.

As to the contents of the letters I feel that they were illadvised. I think, however, that since they were an expression of private opinion, any judgment of Dr. Balogh should be reserved until the presentation of his official report.

I regret the lack of judgment on the part of Dr. Welk in circulating these letters. At the same time, in my view, the incident does not provide sufficient reason for the appointment of a working party to examine the activities of the OAD. If, however, you have any particular recommendations to make with regard to the OAD I shall of course be glad to receive them.

I have held this up to discuss with you /- same time but will delay it no longer since you have been absent owing to sickness.

HMG

PRDG

26th July 1946.25th

Personal

Reference DG 25/12

TO: P.R.D.G.

FROM: General Counsel.

Dr. Balogh's Letters on Hungary

From their form I assume that Dr. Balogh's three letters to Dr. Welk are not to be taken as official documents. They would seem to be no more than personal impressions forwarded to Dr. Welk in advance of an official report.

Even so, however, they ^{are, I suggest,} ~~would seem to be~~ illbalanced in the weight they give to the political background, and unfortunate in the impression they give of both hasty judgment and expression. While they are not necessarily to be interpreted as taking sides in any international political dispute, they lay themselves open to this interpretation.

It is unfortunate that they should have been mimeographed and circulated, even if the circulation was restricted, and it is, in my view, wholly incorrect that, if copies were circulated to some of the D.D.Gs, a copy should not have been circulated to the C.S., whether or not he was in London at the time. The C.S. does not say explicitly that a copy of the letters has been sent by E.R.O. to a member Government or individual outside E.R.O. If this has been done it is even more improper, and I agree that steps should be taken to make it clear that the letters express the views of the writer alone and have no authority from E.R.O.

I would, however, doubt that the incident, though unfortunate, calls for the setting up of a Working Party to investigate the activities of the O.A.D. I would suggest that a warning by you to Dr. Welk, with whom, I am afraid, the main responsibility would seem to lie, would be sufficient to prevent any recurrence.

You will note that I take a less favourable view of the incident than Mr. Cohen, whose note to you I attach.

P. R. D. G.'s

OFFICE

17 JUL 1946

1025

D. W. A. S.
15th July 1946.

MINUTE SHEET.

Reference

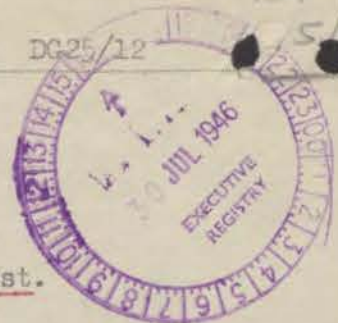
DG25/12

To: P.R.D.G.

From: Arthur Cohen

Subject: Dr. Balogh's letters from Budapest.

INDEXED



1. This Minute seems to have been written on the assumption that the three letters from Mr. Balogh, about which complaint is made, have been circulated outside E.R.O. and might, therefore, be taken to represent the official UNRRA view about the present situation in Hungary. It is even stated that some Embassy has started to make enquiries as to whether they are official or mere propaganda.

2. After investigation, I cannot find any justification for this assumption. The facts appear to be that Mr. Balogh, while preparing his official report, which is expected shortly, thought it right to let Dr. Welk know informally what his views on the Hungarian economic situation were, seeing that the purpose of employing him on a temporary basis as Economic Adviser to the Hungarian Mission was to enable him to make such a report. These three letters, when received by Dr. Welk, were circulated to nine senior officials in E.R.O., and copies were sent respectively to Commander Jackson and Mr. Polak at Headquarters. But in sending the letters to these individuals, care was taken by Dr. Welk to explain that they were the informal findings of Dr. Balogh.

3. If this is the truth of the matter, there is, in my opinion, no possible cause for complaint. Economics and politics are nowadays so closely related that an accurate picture of the economic condition of the country could not be presented without taking some account, at least, of the political situation.

It is possible that C.O.S. has not had time to give these reports more than a cursory reading; but I feel certain that a closer study would convince him that political discussion has only been included to the extent necessary to clarify the economic position, and that the writer has studiously abstained from allowing any personal political prejudices to have preponderance.

Generally, it seems to me that if an employee, and particularly one who is sent to a country primarily for the purpose of reporting on conditions there, cannot express his opinion freely to the Administration without regard to the political susceptibilities of all its members, not only is it useless sending officers abroad, but the internationalism for which C.O.S. rightly contends would disappear.

4. With regard to the last paragraph of C.O.S.' Minute, I would suggest that the action proposed is not called for unless evidence can be produced to the effect that these letters have been distributed outside E.R.O., with the exception of Commander Jackson and Mr. Polak, as I do not think that the activities of O.A.D. can otherwise be criticised in any way in regard to this matter.

5. With regard to paragraph 1 of C.O.S.' Minute, Dr. Welk informs me that a copy was originally sent to Mr. Herbert, since at the time the C.O.S. himself was away. Any personal request by C.O.S. for further copies would have met immediately with the required result, but no such approach was made.

Arthur Cohen

Assistant General Counsel

27th June, 1946.

TO: Mr. A. Cohen, Assistant General Counsel

FROM: William G. Welk

SUBJECT: Dr. Balogh's letters from Budapest.

Mr. Iliuschenko has been kind enough to send to me a copy of the memorandum which he sent to General Gale regarding the letters written to me from Budapest by Dr. Balogh last April. I talked to General Gale about it and he said that he had passed the memorandum to you for examination. May I, therefore, give you below a few comments which may help to clarify this matter.

Last March before the UNRRA Mission entered Hungary it was agreed by both Commander Jackson and General Gale that it would be advisable to have a report on the economic situation in Hungary in order to obtain a clearer picture of the economy of the country in which the UNRRA Mission was to operate. Since the proposed UNRRA programme for Hungary was small it was felt that no permanent economic adviser was required by the Mission but that a report written after a short visit to the country by a competent economist would be sufficient. When looking for a suitable person for this assignment I had considerable difficulty in finding a properly qualified candidate or, for that matter, any candidate at all. Having heard of my efforts to locate a suitable person, Monsieur Morhange suggested Dr. Thomas Balogh, Fellow of Balliol College, Oxford, a well-known Hungarian-born British economist. I had several talks with Dr. Balogh, decided that he was well qualified for this assignment and appointed him, in agreement with Mr. Sommer, Chief of the UNRRA Mission to Hungary, to a temporary two months' post as Economic Adviser to the Hungary Mission. I instructed Dr. Balogh to proceed to Hungary and to study the situation there, obtaining as much assistance and information from the Government and the local Control Authorities as possible. Dr. Balogh was then to return to London with his material and to prepare, on the basis of it, a report on the present state of the Hungarian economy and the country's main relief and rehabilitation needs. While in Budapest Dr. Balogh felt that it would be useful to me to have his informal comments on the situation there as he saw it; he therefore wrote three informal personal letters to me giving his first impressions on the state of the Hungarian economy and on the major problems confronting it at the present time. Although personal and informal the letters seemed to me to contain an interesting appraisal of the present situation in Hungary and I, therefore, had them mimeographed and distributed, as the attached copy of the memorandum written at the time shows, to nine E.R.O. officials. A copy was also sent to Commander Jackson and to Mr. Polak at Headquarters. The letters were never given, nor was it ever intended that they should be given, any wider circulation, as they were in no sense official UNRRA reports or documents of which any formal use was to be made. As stated above, Dr. Balogh's instructions were to prepare a report for the Administration after his return to London. This he has done and he is now putting the finishing touches to a report which should be ready in the very near future. Its ~~compilation~~ completion was delayed somewhat because of Dr. Balogh's return to his teaching duties at Oxford immediately after his return from Budapest.

May I now add a few specific comments to certain points made in Mr. Iliuschenko's memorandum of June 20th.

- (1) As was said above the letters in question were informal personal letters to me and in no way reports of which any wider circulation was ever contemplated or made. Dr. Balogh's formal report is now being completed and will be available presently.

(2) I regret/

- (2) I regret that Mr. Iliuschenko experienced difficulty in obtaining a copy of these letters. A copy was originally sent to Mr. Herbert because, if I remember rightly, Mr. Iliuschenko was out of the country at the time the letters were circulated (May 23rd). In response to a simple telephone call from Mr. Iliuschenko's office I would, of course, have gladly made copies available to him. No request for the letters, however, was ever made to me by Mr. Iliuschenko.
- (3) I cannot, I am afraid, agree to Mr. Iliuschenko's suggestion that Dr. Balogh did not use official sources of information nor consult the authorities of the country. Dr. Balogh has assured me that he was in close contact with the Hungarian Government throughout his stay in Budapest and that he has obtained considerable help from them. It is, of course, true that since these letters were in no way intended to be formal reports, Dr. Balogh felt free to express in them his personal views and opinions.
- (4) Since, as explained above, the circulation of the letters in question was limited to a handful of people in UNRRA, all of whom, I am sure, understand their informal character fully, I hardly think that it would be necessary to repudiate them formally as Mr. Iliuschenko suggests. I am sure that it is perfectly clear to everyone concerned that the letters represent no more than informal expressions of Dr. Balogh's personal opinion and can in no way be regarded as official reports by the Administration.

c.c. General Gale
Mr. Iliuschenko
Mr. Burinski.

C O P Y

TO: (as below)

FROM: William G. Welk

I am attaching hereto copies of three letters written to me by Dr. Thomas Balogh of Oxford University, who spent several weeks in Budapest as Economic Adviser to the UNRRA Mission to Hungary.

The letters give Dr. Balogh's first impressions on economic and political conditions in Hungary at the present moment. They represent the informal but thoughtful and informative findings of a trained observer and I thought you would be interested in seeing them.

Dr. Balogh is now completing a more detailed and formal economic report of which I will send you a copy as soon as it is ready.

23.5.46.

Sent to: General Gale
Mr. Dudley Ward
Mr. Herbert
Mr. Morhange
Mr. Woodbridge
Mr. Wraight
Mr. Adair
General Lewis
Miss Gibbons.

INDEXED

0A12/1

FW/KMB

To: Dr. Welk
From: Dr. Weil

Subject: UNRRA and Supplies to Hungary.

1. Upon a request by the Prime Minister of Hungary for assistance from UNRRA, the Administration was authorized by the Central Committee on January 8th, 1946 to furnish emergency relief to Hungary up to 4 million dollars (landed cost).

2. The programme is limited to:

- a) The provision of medical and sanitary aid and supplies and
- b) The provision of other emergency relief supplies for persons in greatest need, such as children, and nursing and expectant mothers.

3. The agreement with the Hungarian Government takes the form of an exchange of letters between the Director General and the Hungarian Minister in Washington. The letters were dated February 15th 1946, and March 19th, 1946 respectively.

4. The programme of operations as approved by the Central Committee through to 30th April 1946, runs as follows (U.S. dollars):

| | |
|---------------------|--------------------|
| Food | 900,000 |
| Clothing, Textiles, | |
| Footwear | 120,300 |
| Medical supplies | 300,000 |
| Trucks (Industrial | |
| Rehabilitation) | 250,000 |
| Asmiting specific- | |
| ation (food) | <u>1,762,700</u> |
| | <u>\$3,333,000</u> |

5. The Hungarian Government included into its distribution scheme also heavy workers. Washington, not giving their consent to this one-sided alteration of the agreement, wishes to avoid any implication that UNRRA stands ready to expand its scope of programme.

The question remains in the balance, whether or not heavy workers will be included into the categories to be helped.

6. On June 14th, the Mission reported that the Government was appealing for assistance in re-establishing poultry flock, in other words, for a kind of Agricultural Rehabilitation. The Mission recommended the Hungarian project "highest" as means of quick food production for the autumn and winter. No reply has come yet from Washington.

7. No Mission reports on Hungary are available up to date, June 24th.

24th June, 1946.

MEMORANDUM

General Counsel

9

Will you kindly
investigate this complaint
& make your recommendations?

D
21/6

CONFIDENTIAL

Reference

P. R. D. G.'S
OFFICE

21 June 1946
1837



INDEXED

To: P.R.D.G.

Copy to Dr. Welk
Mr. Burinski

Fr: D.D.G. & C.O.S.

Subject: Reports from Budapest dated April 25th, 30th and May 1st.

I have read the Reports from Dr. Balogh about the economic situation in Hungary, which I was able to obtain not without a certain amount of difficulty and delay although they were roneoed, edited and circulated officially. Dr. Welk probably thought that I ought not to have the privilege of reading Reports of this kind, and the reason for this is very apparent after reading them. I have been informed that some Embassy has already started to make enquiries whether, in view of the contents, they are official UNRRA documents or just propaganda.

It is clear that the Reports are not based on official or reliable sources of information, and certainly the authorities of the country concerned were not consulted. They should not have been circulated nor used by UNRRA for any purpose unless the originators intended to damage our prestige as an International Organisation. If that was their intention they should not be permitted to remain with the Administration. To my mind either Dr. Balogh was not properly or was wrongly instructed by Dr. Welk, and I fear, on reading these Reports that anyone examining them would feel that they had been prepared for the use of a particular Government and not for the use of an International Organisation.

I am very concerned about the whole matter, and I would strongly suggest that immediate steps be taken to review the operations of the Division to ensure that in future the Administration is not associated with activities such as those described above. In particular, it is absolutely essential first, to send a special letter repudiating the Reports, to those to whom they were circulated, and second, to appoint a special Working Party to examine the activities of the Division and submit their findings to the Administrative Council for consideration as to the nature of their future work. If this suggestion is acceptable I would like to submit certain recommendations as to the composition of the Working Party.

10 June, 1946.

J. J. J. J.

Mr. Woodalmage.

Of 25/12.

Registry.

Yes: see hand to Buaapest

No. 97.

See also Cable 120 from

Buaapest which criticises para.

2 of 99 in your telegram to Wash. no.
6602.

Any further action.

Sum.

24/6.



Seen by G. Woodalmage. No further action.

Sum.

25/6.

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

OFFICE OF DIRECTOR-GENERAL

PA/CFA

encls

10

11

12
4/6

Am PRDG has already
seen these, also Ex Ass-I.

Copies are filed in Ex Regy.

Copies have also been sent to
Washington.

Pls.
File Executive Registry

0425/12

6

INDEXED



Reference..... 2881

3rd June, 1946.

C.F.A.

ends 10 11 12

Subject: Three Reports on Hungary by Dr. Thomas Balogh.

These reports go very fully into the economic and political conditions in Hungary at the present time. You may care to see as side-lined:-

1. First Report.

Page 2. The Problem of Inflation.

2. Second Report.

Page 1. The Inflation of State Expenditure.

Page 2. Reparations.

Page 3. The Needs of Reconstruction.

Page 6. Conclusions regarding Internal Recovery.

3. Third Report.

This deals almost entirely with the Political situation.

Page 8 and 9. Conclusions and recommendations.

P. R. D. G.'S
OFFICE
4 JUN 1946
1706

I. L. Roussin
MISS I. L. ROUSSIN.

2.

PRDG.

interesting: but for you I think
rather than for me.

23/6

See encl (20)

Humphrey

R. U. S. W.
29/5

(5)

I sent to Davidson
a copy of Tol's letter
to Sommer on 18 91.

I do not think any
further action is required



Kao

29/5

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

OFFICE OF DIRECTOR-GENERAL

See ends

(10)

(11)

(12)

PRDG

This is going to Washington

Has this 28/5 gone to Washington R.

George Woodbridge has read this + thinks that all you need to read are the conclusions in the 3rd letter pages 8 + 9 - marked. You may wish to read before you see Dr. Welch AD

in 29/5.

INDEXED

Reference

27 MAY 1946

3881



TO: Major-General R.G. Lewis

FROM: William G. Welk

I am attaching hereto copies of three letters written to me by Dr. Thomas Balogh of Oxford University, who spent several weeks in Budapest as Economic Adviser to the UNRRA Mission to Hungary.

The letters give Dr. Balogh's first impressions on economic and political conditions in Hungary at the present moment. They represent the informal but thoughtful and informative findings of a trained observer and I thought you would be interested in seeing them.

Dr. Balogh is now completing a more detailed and formal economic report of which I will send you a copy as soon as it is ready.

W. G. Welk

23.5.46

Miss Rye

would you search for ~~PR.D.C.~~
C.F.H. please.

W. G. Welk
27/5

CONFIDENTIAL



TO: Lt. Gen. Sir Humphrey Gale

FROM: William G. Welk

I am attaching hereto copies of three letters written to me by Dr. Thomas Balogh of Oxford University, who spent several weeks in Budapest as Economic Adviser to the UNRRA Mission to Hungary.

The letters give Dr. Balogh's first impressions on economic and political conditions in Hungary at the present moment. They represent the informal but thoughtful and informative findings of a trained observer and I thought you would be interested in seeing them.

Dr. Balogh is now completing a more detailed and formal economic report of which I will send you a copy as soon as it is ready.

William G. Welk

23.5.46



To ExRegy

(1)

See encl

(17)

EX Ast-1.

Budapest d/11 May -
attached.

G.C. is obtaining a
written report from
BALOGH. It will be
ready early next week.

Meanwhile will you please
note this letter and
arrange for P.R.D. G. to
reply to it in due course.

14/4.

OUT FILE

OK 26/12

Copy A268/12

28th March 1947

I wish to rectify an error which occurred in the letter to you dated 19th February 1947 from Mr. Sommer, the late Chief of the UNRRA Mission to your country.

That letter was stated to be official notification to you that the UNRRA Mission to Hungary would terminate its activities as from 1st March 1947, and that thereafter Mrs. Lucy Adams would remain as Closure Officer and principal UNRRA Representative in Hungary.

In fact, Mr. Sommer's action was premature as it is not desired to close the Hungarian Mission at present, and I would therefore be grateful if you would regard Mrs. Lucy Adams as Chief of the UNRRA Mission, and afford to her and her staff all the facilities, privileges and immunities which were agreed should be given to the Mission, in an exchange of letters between Mr. Lehmann and Mons. Aladar Szegedy-Maszek, dated 13th February 1946 and 19th March 1946 respectively.

You will be officially notified when the date for the closure of the Mission to Hungary has been decided, and in the meantime, I trust you will accept my apologies for any inconvenience to which you may have been put by this error.

(Signed) H. M. GALE

Personal Representative of the Director-General

Mr. Ferenc Nagy
Hungarian Prime Minister
Budapest.

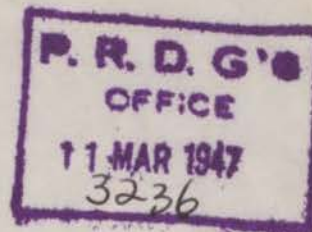


(written by A. Cohen)

C.O.S.

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

1344 CONNECTICUT AVENUE
WASHINGTON 25, D. C.



VIA AIR MAIL

4th March 1947

Return here

My dear General:

For your information there is attached a copy of a memorandum submitted to Headquarters by Mr. Nyaradi, Under-Secretary of State in the Hungarian Ministry of Finance, together with a letter which I have addressed on this subject to General Noce of the War Department.

I am advised that in addition to the Hungarian hospital equipment mentioned by Mr. Nyaradi in his memorandum, other such equipment exists in Austria at Linz, Burmoos and Salzburg.

In the course of his conversations with us, Mr. Nyaradi advised that he had been notified by USFET in Germany that large quantities of this equipment were contained in warehouses in Bavaria and that UNRRA was unwilling to release it. I assured Mr. Nyaradi that UNRRA held no title over this property nor had it any authority or interest in refusing to release it from the warehouses, but that this was entirely a matter for U.S. Army decision.

Will you kindly bring to the notice of those concerned our official attitude in this matter as contained in the accompanying correspondence so that there shall be no misunderstanding of our position.

Sincerely yours,

Ag.
A. G. Katzin
Deputy Director General
Chief Executive Officer

Lt. Gen. Sir Humfrey Gale, KBE, CB, CVO, MC.
Personal Representative of the Director General,
UNRRA European Regional Office,
London W.1, England.

P.S. I am sending a copy of this letter together with the attached correspondence to Myer Cohen for his information.

4th March, 1947.

Dear Mr. Nyaradi,

On the subject of your visit to this Office yesterday afternoon, I have pleasure, as agreed, in enclosing copies of the letters which I have addressed on the subject to General Noce of the War Department and to Sir Humfrey Gale, Personal Representative of the Director-General in charge of European Operations.

I hope that our position is clear to you and will now be understood by all concerned.

Sincerely yours,

(Signed) A. G. KATZIN

A. G. Katzin
Deputy Director-General
Chief Executive Officer

Mr. Nicholas Nyaradi,
Under Secretary of State,
Hungarian Ministry of Finance,
Legation of Hungary,
WASHINGTON, D.C.

LEGATION OF HUNGARY
Washington, D.C.MEMORANDUM

In the spring of 1945, the German troops retreating from Hungary evacuated a great part of the equipment of Hungarian civilian and Red Cross hospitals, bringing this equipment into Germany. There are great quantities of Hungarian hospital and sanitary equipment in Neuburg, Ingolstadt and Eichstaett, Germany. In Neuburg alone, the American military authorities have gathered together the complete equipment of five Hungarian civilian and Red Cross hospitals, and the Hungarian Government estimates the value of this equipment at about \$800,000.

The Hungarian Government has taken various measures for the restitution of this property. The Allied Control Commission in Budapest has sent Lt. Colonel R. T. Shackelford, of the Allied Control Commission, and Mr. Leslie Atkins, of the UNRRA Mission in Budapest, to report on the hospital equipment claimed by the Hungarian Government. The report of Colonel Shackelford and Mr. Atkins states that a great quantity of Hungarian sanitary equipment is actually being held at the above mentioned places, the material at Neuburg having been turned over for the use of UNRRA by the American military authorities.

Hospital equipment is badly needed in Hungary, where the hospitals - particularly in the country towns - are very poorly equipped. Because of the lack of bed sheets and blankets, patients still lie on straw on the floors.

The prompt restitution of this material - which should be granted also on the basis of the Geneva Convention - would greatly improve public health conditions in Hungary. The Hungarian Government would be most grateful if UNRRA could return the above-mentioned sanitary equipment to Hungary, for purposes of restitution.

/s/ Nicholas Nyaradi
Under Secretary of State
Hungarian Ministry of Finance

Washington, D.C.
February 28, 1947

Dear General H. H. H.

I have received representations from Mr. Nyaradi, the Hungarian Under-Secretary of State for Finance, in reference to hospital equipment which he claims is in the possession of UNRRA in Germany and Austria. I understand that Mr. Nyaradi is in the United States for the purpose of arranging the return of supplies confiscated by the Germans from Hungary including this equipment.

I have advised Mr. Nyaradi that UNRRA is not interested in this equipment as such, but that we were administratively responsible to the Army for certain Displaced Persons Camps in Germany and Austria and that all basic equipment, including any hospital equipment, in use in these camps is furnished by the Army. We have accordingly made it clear to Mr. Nyaradi that the responsibility for the return to Hungary of any equipment rests solely with the Army authorities and that we, of course, have no objection to the return to Hungary of any property which the Army might agree to transfer. On the other hand, we have made it equally clear that UNRRA will be unable to perform its functions within the Displaced Persons Camps without hospital equipment and that it would again be for the Army to ensure that any hospital equipment so transferred was replaced by other equipment to the extent that this became necessary.

For your information I enclose a copy of the memorandum left with us by Mr. Nyaradi.

Sincerely yours,

Major-General D. H. H.,
Chief, Civil Affairs,
War Department,
Pentagon Building,
Washington, D.C.

Lowell W. Rooks
Director General

ROME

RECEIVED

DC Reg
Dec 25/12
3307

HH

PS copy DG
encl (H3)

Your 3504 STOP

1. No trace here of request from Hungarian Legation for repatriation ineligible Hungarians from Italy STOP
2. Your para 2 correct STOP

Distribution:

CRS

W & R

CG

Exec. Reg.

Office of the General Counsel

K.A. Mickin

5th November 1946

5.11.46



0425/12.

H2

INCOMING CABLE.

ACTION:- Office of General Counsel.
G. C.

ROME.....TO.....LONDON

NO.3504

(ENCLOSURE)

DATED:- 31st. October, 1946.

REC'D:- 09.37 hours.
1st. November, 1946.

1. Rome Hungarian Charge D'Affair, AD Interim Mr Papp, requested UNRRA Italian Mission concerning action taken re Hungarian Legation London's request to UNRRA London early in October that repatriation facilities of UNRRA be extended to include 500 ineligible Hungarian nationals now in Italy desiring repatriation Hungary.

2. Have advised Papp with present regulations can only repeat only assist repatriation Hungarian persecuttes.

3. Please advise any developments re para 1.

DISTRIBUTION:- P.R.D.G. Limited,

JG/JT



UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

1344 CONNECTICUT AVENUE
WASHINGTON 25, D. C.

Aug. 25/12.
42
AUG 8 1946

VIA AIR MAIL

6628

Dudley Ward, Esq., C.B.E.
General Counsel
European Regional Office
U. N. R. R. A.
11 Portland Place
London W-1, England



Dear Dudley:

I attach for your information copies of a letter of 8 July from the Hungarian Minister of Foreign Affairs requesting further program of assistance to Hungary, together with General Rooks' reply of 5 August.

Yours sincerely,

Bia.

A. H. Robertson



COPY

Hungarian Ministry for Foreign
Affairs.

41.193/4.
1946

Sir,

I have the honour to refer to a letter which, after the personal conversation that you were kind enough to afford to the members of the Hungarian Government on their sojourn in Washington, I addressed to the Council of the UNRRA.

In the letter and in the enclosures thereto, I informed the Council of the great shortage in livestock and agricultural implements and I called the attention to the possibility that, in the case if UNRRA could equip Hungarian agriculture with machinery, draft animals, fertilizers, and other means of production, Hungary would be able to meet not only her own requirements by increasing her agricultural production, but also to contribute to the supply of other European countries receiving UNRRA-aid.

The encrease in our agricultural production is being estimated with a value of 80/eighty/ million dollars already in the first crop year if the aid may be extended as required in my above mentioned letter and the annexes thereto.

The Hungarian Government is now informed that an aid of 465 million dollars had been granted by the United States Government to the United Nations Relief and Rehabilitation Administration, and I hope that this fact will enable the UNRRA Council to take the Hungarian Government's request for the extension of UNRRA-aid to Hungary in an appropriate measure into favourable consideration.

On behalf of the Hungarian Government I beg leave to declare that, in the next crop year, we are ready to set to the disposal of UNRRA 50% /Fifty percent/ of the encrease in Hungary's agricultural production due to the aid which the United Nations Relief and Rehabilitation Administration may grant to Hungary by supplying her with animals, implements, etc. as shown in the letter under reference. After the expiration of UNRRA's functioning, the Hungarian contribution would be set to the disposal of any other organisation which would assume its functions.

/I would wish

I would wish to emphasize that this proposal may not be considered as a compensation business but as a proposition of reciprocal aid, and that we are ready to afford all possibilities to UNRRA delegates to control the use of the aid which may be extended to Hungary, and will be pleased to expect their arrival to Hungary.

I avail myself of this opportunity to renew to you, Sir, the assurance of my highest consideration.

Budapest, the 8th July, 1946.

Signed

Mr. Fiorello LaGuardia,
Director General of the United Nations
Relief and Rehabilitation Administration
1344 Connecticut Avenue,
Washington 25, D.C.

COPY

Hungarian Ministry for Foreign
Affairs.

41.193/4.
1946

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I avail myself of this opportunity to renew to you, Sir, the assurance of my highest consideration.

Budapest, the 8th July, 1946.

Signed

Mr. Fiorello LaGuardia,
Director General of the United Nations
Relief and Rehabilitation Administration
1344 Connecticut Avenue,
Washington 25, D.C.

COPY

5 August 1946

His Excellency
The Hungarian Minister for Foreign Affairs
Budapest, Hungary

Your Excellency:

I am writing to acknowledge and reply to your letter of the 8th July in the absence of Mr. LaGuardia who is now on a visit to Europe.

As you are aware, the Central Committee of the Council of UNRRA is the body having authority to decide on the programs which the Administration shall undertake. Accordingly, Mr. LaGuardia, as explained in his letter of June 26th, referred to the Central Committee the request for increased assistance to Hungary contained in your letter of June 13th. At its meeting on 23 July the Central Committee decided that, having regard to the limited resources at UNRRA's disposal and to the very extensive commitments which the Administration has already assumed, it was not at this time possible to determine how a further program of assistance to Hungary could be financed. The Committee resolved however to reconsider the question in September in the light of such further information as might then have come to light about the resources which will be available at that time for further work of relief and rehabilitation.

I shall not fail to inform you of any decision which the Central Committee may take at that time.

I avail myself of this opportunity to renew to you the assurance of my highest consideration.

Lowell W. Rocks
Acting Director General

COPY

5 August 1946

His Excellency
The Hungarian Minister for Foreign Affairs
Budapest, Hungary

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I avail myself of this opportunity to renew to you the assurance of my highest consideration.

Lowell W. Rocks
Acting Director General

OUT FILE

Da 25/12

(H1)

August 2, 1946

Mr. T. Lobo
Hungarian Government
Representative
35, Eaton Place
S.W.1

encl (40)

Dear Mr. Lobo:

I have received your letter of 1 August, together with the enclosed letter from Mr. Ferenc Nagy addressed to Mr. Fiorello LaGuardia.

I have arranged for the delivery of this latter letter by safe hand to Mr. LaGuardia in Geneva. He will receive it there on Sunday, 4 August.

I am endeavoring to communicate the fact of the letter and the renewed invitation of your Government to Mr. LaGuardia by cable.

Yours faithfully,

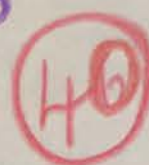
George Woodbridge
Executive Assistant to P. R. D. G.

DESPATCHED BY
REGISTRY
2-8-46
WJ

1 2 3 4 5 6 7 8 9 10 11 12
13 14 15 16 17 18 19 20 21 22 23 24
- 2 AUG 1946
EXECUTIVE
REGISTRY

INDEXED

9923/12.



1st August, 1946.

G. Woodbridge Esq.,
United Nations Relief and Rehabilitation
Administration,
European Regional Office,
11, Portland Place,
London, W.1.

Dear Sir,

I beg to send you herewith a letter from Mr. Ferenc Nagy, Prime Minister of Hungary, addressed to Mr. Fiorello LaGuardia who, we understand, is at present in Europe. As we do not know his present whereabouts on his tour of the Continent, I should be grateful if you would kindly forward it to him.

The letter, just received - unfortunately with great delay - contains a renewed invitation from the Hungarian Government for Mr. LaGuardia to visit Hungary prior to the UNRRA Conference to be held on the 5th August at Geneva. Owing to the shortness of the time, I would ask if you could inform Mr. LaGuardia by cable of this written invitation from the Hungarian Government.

Thanking you in advance for your kind attention to this request.

Yours faithfully,

T. László



INDEXED
FOR INFORMATION ONLY
INCOMING CABLE.

0425/12.
44 file
Jan 20/12

Attention: Information Div.
Mr. Cummings.

BUDAPEST.....TO.....WASHINGTON

No. 122
En Clair
Repeated London No. 162

Dated: 23rd July, 1946
Rec'd: 24th July, 1946
09.44 hours.

UNRRA Press NE.

It was announced by Stanley L. Sommer, Chief of Mission to NHA that supplies furnished to UNRRA by the American Hungarian Relief Inc. for distribution in Hungary have been instrumental in easing the desperate food drug and clothing shortages. As a result of the 50,000 dollars donated by AHR to UNRRA for purchase medical supplies, more than half the drugs distributed by UNRRA to date in Hungary have been a gift of the AHR. 4/7ths of the penicillin, 1/2 of the insulin, and 1/4 of the ether, distributed have been AHR supplies. To date the following other AHR supplies have been distributed, or in process of being distributed; 1700 bales used clothing, 60 cases used shoes, 3 cases fur coats, 100 sewing machines, 50 sets shoe repair kits, 300 cases various types canned food, 670 cases powdered milk, 5 cases medical materials. There are en route; 110 bales used clothing, 3 cases shoes, 13 cases soap, 5 cases childrens toys, 202 cases canned goods. The goods be shipped by UNRRA to Trieste and transported in Hungarian Government railroad cars to Budapest where they are sorted and stored. Prior to the beginning of UNRRA operation in Hungary Lieutenant Colonel G.S. Kovach and Lieutenant Colonel Harry Mc Clain of the United States element of the Allied Control Commission were the instruments through which AHR operated in Hungary. More than 200,000 dollars worth of medicine was distributed through this channel besides large amounts milk, cod liver oil and clothing. Martin Hamler, American representative, of the AHR has been in Budapest on a number of occasions recently and has established an AHR Office in Budapest putting Mrs. Evans Wejer in charge. A committee of fourteen members made up of the large welfare organizations in the country draws up the plan of distribution. Conditions in Hungary today economically are so bad that it would be impossible for the people to survive without outside help. The man in the street, official circles, welfare organizations, are unanimous in expressing their sincere gratitude to the Hungarian Americans who are keeping their hopes alive by their magnificent contributions.

KS/EMK

OUT FILE

(38)

DG 25/12.

July 16, 1946

C. T. Cross, Esq.
The Foreign Office
S. W. 1

I now enclose a copy of the letter and
annexes submitted by the Hungarian Minister
for Foreign Affairs to UNRRA Headquarters
in Washington. I am sorry I have been so
long in producing this.

J.R. Wright

Enclosure

DESPATCHED BY
REGISTRY

16/7/46.



0625/12. *See file. Hungary*
Office of the Hungarian
Government Representative,
46, Eaton Place,
S.W.1.

INDEXED

159/KER/46

Jan 197
12th July, 1946.

Lt. General Sir Humphrey Gale,
11 Portland Place,
London, W.1.



Dear Sir Humphrey,

After the telephone message of your secretary received by us a few days ago, I am now sending you a further two copies of the memorandum which I sent you with my letter of 24th June.

I am sorry there has been a delay in sending the copies, but we only had one copy left and had to type out fresh ones.

Yours sincerely,

N. Givay Wolff

(*N. Givay Wolff*)
Commercial Attache.



COPY.

June 13, 1946.

The Council of the
United Nations Relief and Rehabilitation Administration,
Washington 25, D.C.

Gentlemen:

I wish to refer to the personal conversation which the Prime Minister of Hungary, as well as the other members of the Hungarian Government, had the honor to have today with the Director General, Mr. Fiorello H. LaGuardia, and to present the request of the Hungarian Government.

With respect to the extension of aid granted by the UNRRA Council in the establishment of an emergency relief program for Hungary in the amount of \$4,000,000 I take the liberty to enclose herewith detailed information on the disastrous supply situation in Hungary and the most urgent needs of the Hungarian population.

From the enclosed figures may be seen to what extent Hungarian agriculture has been deprived of its livestock and of various agricultural implements. The Hungarian Government feels that in case UNRRA could see its way clear to equip Hungarian agriculture with machinery, draft animals, fertilizers and other means of production to such an extent that the country would be able to meet not only its own requirements but also to set aside certain kinds of foods to be used in supplying other European countries.

A possibility to help the Hungarian economy to reconstruct itself may be found by contracting with various branches of Hungarian industry for orders of supplies of necessary raw material in such manner that a portion of these materials would remain in Hungary as reimbursement for the work performed. The productive capacity of certain branches of Hungarian industry cannot be utilized at the present time because of lack of raw materials and the impossibility of obtaining foreign exchange for the purchase of these raw materials from abroad.

This would mean a start, which would enable Hungarian industry to get back on the track of ever-increasing production and thus it would be placed in a position to obtain its needs of raw materials by exporting the country's production.

According to the resp. Resolution of UNRRA any country receiving aid from UNRRA must provide free transportation through its territory for any supplies shipped by UNRRA to other countries. I should like to draw your kind attention to the hardship of this Resolution, as far as Hungary is concerned, because the costs of such transportation across Hungary to different countries, such as Poland and Czechoslovakia, may almost exceed the entire value of the emergency program of UNRRA established for Hungary.

./.

-2-

I wish to express the sincere hope of the Hungarian Government that in due consideration of the difficulties and privations faced by the Hungarian people, the Council of UNRRA will find it possible to extend its aid to Hungary in an appropriate measure, with due regard to the above-mentioned difficulties.

Very sincerely yours,

(signed) János Gyöngyösi
(John Gyöngyösi)
Hungarian Minister of Foreign Affairs

Enclosures.

COPY.

ANNEX 1.

Possibilities for increasing Hungarian
Agricultural Production.

The severe falling-off in agricultural production in Hungary is due to the loss of a great portion of the country's traction power, to a lack of fertilisers, both natural and artificial, to lack of agricultural machinery and equipment, veterinary and plant protection means, and to a lack of quality seed and of breeding animals.

If all of these losses were to be repaired solely by the country's own financial and material resources, reconstruction would necessarily proceed very slowly; improvement in the living standard would lag far behind that of more fortunate countries, and Hungarian agriculture could assume its normal place in the food supply of Europe only after a long period of time. On the other hand, if international aid were granted to provide at least some of the most urgently needed implements, the level of production could be raised considerably, and there would be a possibility to export food as soon as the next crop year.

The possibilities of increasing Hungarian agricultural production by providing means of production range on a very large scale. The funds which could be expended for such purposes being unknown, we have had to restrict ourselves to an enumeration of the necessary requirements. These have been grouped into three classifications, corresponding to their relative importance. The quantities stated in these lists do not cover total needs; it being necessary to establish a certain optimum proportion between the different needs, within the limits of a total which is regarded as reasonable. Accordingly, the requirements for the various lines of production had to undergo far-reaching restrictions.

The values given in the lists are only approximate. To facilitate control, the estimated unit prices have everywhere been indicated.

| | Requirements | Quantity | Unit Price | Total Value |
|----------------|--|----------|-----------------|--------------|
| | | | In U.S. Dollars | |
| <u>GROUP 1</u> | | | | |
| 1. | Draft horses, dray | 20,000 | \$ 200 | \$ 4,000,000 |
| 2. | Stallions, dray | 200 | 360 | 72,000 |
| 3. | Tractors, medium heavy weight (30-35 h.p.) with plow, spare plowshare, disk-harrow, cultivator | 1,000 | 2,800 | 2,800,000 |
| 4. | Tractor plows (in addition to those delivered with the tractors) | | | |
| | Size 3 | 150 | 200 | 30,000 |
| | Size 4 | 200 | 200 | 40,000 |
| | Size 6 | 150 | 200 | 30,000 |
| 5. | One-share plows, for horse traction, sizes 5 and 6 | 20,000 | 15 | 300,000 |
| 6. | Seeding-machines (medium type, drawn by 2 horses) | 20,000 | 150 | 240,000 |
| 7. | Ball-bearings, for repairing used tractors | 30 tons | 5,000 | 150,000 |
| 8. | Raw Phosphate, tons | 40,000 | 100 | 400,000 |
| 9. | Material required for reconstruction of the plant at the Pétit Nitrogen Works, Ltd. | | | 2,000,000 |
| | Total Group 1. | | | \$10,062,000 |

COPY.

-3-

| GROUP 11. | Requirements | Quantity | Unit Price | Total Value |
|-----------------|--|---------------|------------|--------------|
| 1. | Draft horses, dray | 10,000 | \$ 200 | \$ 2,000,000 |
| 2. | Stallions, dray | 100 | 360 | 36,000 |
| 3. | Draft horses, thorough-breds | 10,000 | 160 | 1,600,000 |
| 4. | Stallions, Thorough-breds | 100 | 300 | 30,000 |
| 5. | Tractors, medium heavy weight (30-35 h.p.) with same equipment as under Group 1,3 | 500 | 2,800 | 1,400,000 |
| 6. | Tractors, medium light weight (we.30 h.p.) with same equipment | 500 | 2,500 | 1,250,000 |
| 7. | Tractor plows (same sizes as under Group 1,4) | 500 | 200 | 100,000 |
| 8. | One-share plows (description under Group 1,5) | 30,000 | 15 | 450,000 |
| 9. | Seeding machines (as under Group 1,6) | 3,000 | 120 | 360,000 |
| 10. | Horse-hoes (single row) | 10,000 | 15 | 150,000 |
| 11. | Small motors (4-10 h.p.) for miscellaneous agricultural purposes | 1,000 | 130 | 130,000 |
| 12. | Ball-bearings | 50 tons | 5,000 | 250,000 |
| 13. | Electric hatcheries (for 10-50 eggs) | 100 | 1,000 | 100,000 |
| 14. | Iron manufactures (iron for carts, horse-shoes horse-shoe nails, wire nails etc.,) | 2,500 tons | 120 | 300,000 |
| 15. | Serum for control of swine-plague | 20,000 litres | 24 | 480,000 |
| 16. | Sugar beet seed (Czechoslovak, variation "B" or "H") | 1,600 tons | 200 | 320,000 |
| 17. | Spring wheat (U.S. or Canadian) | 3,000 tons | 100 | 300,000 |
| 18. | Other seeds, (1) | - | - | 200,000 |
| 19. | Tractor oil | 1,000 tons | 300 | 300,000 |
| 20. | Machine belts, leather or textile | 150 tons | 1,600 | 240,000 |
| Total Group 11. | | | | \$9,996,000 |

(1) Rye, Corn (Red King), Flax, Hemp (Yugoslav and Italian)
Cabbage, Green Fodder, Grass, etc.,

COPY.

-4-

| GROUP 111. | Requirements (In addition to Groups I and II) | Quantity | Unit Price (In U.S. Dollars) | Total Price |
|------------|--|----------------------|------------------------------------|----------------|
| 1. | Draft horses, dray | 10,000 | \$200 | \$ 2,000,000 |
| 2. | Dray stallions | 100 | 360 | 36,000 |
| 3. | Draft horses, thoro- breds | 10,000 | 160 | 1,600,000 |
| 4. | Thoroughbred stallions | 100 | 300 | 30,000 |
| 5. | Tractors, medium weight (25-30 h.p.) equipment see above | 1,000 | 2,500 | 2,500,000 |
| 6. | Jeeps (agricultural type) with supplementary cars | 500 | 1,000 | 500,000 |
| 7. | Mowers | 200 | 100 | 20,000 |
| 8. | Disks for harrows (18 inch size) | 20,000 | 1.80 | 36,000 |
| 9. | Small motors (4-10h.p.) | 500 | 130 | 65,000 |
| 10. | Iron manufactures (as under Group 11, completed with wire barrel hoops, barbed wire U-nails, fence twine and chains) | 7,500 tons | 150 | 1,250,000 |
| 11. | Hand tools (1) | | | 550,000 |
| 12. | Vaccine syringes (Type Record, sizes 2-10-20-30- 50 cm.) | 2,500 | 4 | 10,000 |
| 13. | Microscopes (immersible) | 50 | 160 | 8,000 |
| 14. | Lancets (pointed and rounded) medium size | 1,000 | 1 | 1,000 |
| 15. | Emasculators | 3,600 | 0.30 | 1,000 |
| 16. | Vitamin D ₂ crystal | 10 kgs | 200 | 2,000 |
| 17. | Sulphur (chemically pure) | 20 tons | 2,900 | 58,000 |
| 18. | Other materials for veterinary and plant protection (2) | - | - | 450,000 |
| 19. | Jute grain sacks | 2,500,000 | 0.36 | 750,000 |
| 20. | Tarpaulin | 50,000m ² | 1.00 | 50,000 |
| 21. | Wood for barrels | 30,000m ³ | 20 | 600,000 |
| 22. | Pinewood slats, for egg and fruit packing cases | 2,000m ³ | 16 | 32,000 |
| 23. | Harness Leather | 120 tons | 1,000 | 120,000 |
| 24. | Raffia | 500 tons | 280 | 140,000 |
| 25. | Cows, Montafon (Austrian) and Siementhal (Swiss) breeds | 50,000 | 120 | 6,000,000. |
| 26. | Bulls (same breeds) | 1,000 | 300 | 300,000 |

| Group 111. (cont.) | Requirements | Quantity | Unit Price (In U.S. Dollars) | Total Value |
|-------------------------|---|----------|------------------------------------|----------------|
| 27. | Sows (Yorkshire and Berkshire) | 5,000 | \$ 36 | \$ 180,000 |
| 28. | Boars (same Breeds) | 500 | 50 | 25,000 |
| 29. | Ewes | 190,000 | 16 | 1,920,000 |
| 30. | Rams | 4,000 | 35 | 140,000 |
| 31. | Goats (5% male) | 10,000 | 16 | 160,000 |
| 32. | Rabbits (25% male meat and fur breeds) | 50,000 | 4 | 200,000 |
| 33. | Cocks and hens (Blymouth Rock, Rhode Island, Lamona Leghorn, 10% cocks) | 5,000 | 3 | 15,000 |
| 34. | Feking ducks | 2,000 | 4 | 8,000 |
| 35. | Bronze turkeys | 2,000 | 5 | 10,000 |
| Total Group 111. | | | | \$19,737,000 |
| Total Groups I, II, III | | | | \$39,795,000 |

- (1) Hoes, spades, pitchforks, axes, rakes, iron shovels, hatchets, forest and garden saws, saw-disks, rasps, garden shears, grafting knives, buckets, altogether totalling 2.5 million pieces.
- (2) Injections of grape-sugar, benzol, crystal benzol, carbon sulphide, gelatine, raw cresol, Na_2CO_3 , solid Na OH , Dinithro-Orthocresol, pine resin, raw nicotine, AS O_3 , Na ClO_3 .

COPY.

As shown above, a program to meet the most urgent needs of Hungarian agriculture would include deliveries of approximately 10 million dollars. An extension of this program, to include Groups II and III, would involve \$ 20 to 40 million dollars.

Implements required for cultivation and maintenance of productivity of the soil represent the most urgent needs. Hungarian livestock losses are enormous. More than half of the country's livestock was lost. The number of tractors has also been seriously reduced. Before World War II, there were 7.6 draft units at disposition for every hundred hectares of plowed land /traction power expressed in units of two-horse teams/; in September, 1945, there were only 3.3 draft units. Before the war it was possible to fertilize every fifth year at a rate of 20 tons of manure to a hectare. With the present livestock, manuring at the same rate would be possible only once in thirteen years.

An increase in the stock of horses would reduce the difficulties in both respects. Accordingly, importation of horses seems to be the most urgent need of Hungarian agriculture. In several European countries, e.g. in Belgium, Austria and Czechoslovakia, a certain number of horses seem to be available. Both draft and thoroughbred horses would be of good use in Hungary, but the former should not be of the heaviest type. It is desirable that the greater portion should consist of mares; also that a certain number of stallions of the same type should be included.

Next to horses, tractors and tractor equipment are among the most urgent needs. Attention should also be drawn to the importance of obtaining a certain quantity of ball-bearings, which are necessary to repair old tractors.

The possibilities of increasing Hungarian agricultural production may be calculated as follows:

In 1938, on a plowing area of 5.6 million hectares, the total value of the crop could be estimated at 230 million dollars, at average prices for 1934-1938 as a basis. For 1945, prices have increased by at least 50 per cent, which would mean a total crop value of 345 million dollars, or an average crop value of about 60 dollars per hectare. However, lack of draft animals and of equipment for soil cultivation caused a decline in production in 1945-46 which may be estimated at 30 per cent, and further about 15 per cent of the plowing area remained uncultivated. If the entire area had been cultivated, a total crop value of 242 million dollars would have been produced. Since 15 per cent of the area was dropped out entirely, the crop values decreased to 206 million dollars, or to about 60 per cent of the 1938 level.

Considering that this result of 60 per cent was attained by using 227,000 draft units, it may be calculated that approximately, 380,000 draft units would have been required to achieve a result of 100 per cent. /:The draft power available in 1938 was, in fact, somewhat higher.:/ Assuming that by increasing the traction power a proportionally higher result may be attained, the increase in production which would correspond to 60,000 horses and 3,000 tractors /:equal to 36,000 horses:/ may be estimated at 43 million dollars a year.

The significance of seeding machinery lies in a saving of seeds and in a better development of the crop, as compared with manual sowing. Taking into account the sowing capacity of 5,000 machines requested, and a saving of 15 per cent as compared with manual sowing, a total result of 800,000 dollars may be calculated.

In the case of other machinery and implements the increase in production cannot be shown separately, because

these will be used together with the horses and tractors to be imported, and these results have already been taken into consideration. However, special mention should be made of the jeeps, which to some extent can be used as tractors, and thus the benefit deriving from this work can be valued at \$1,000,000 plus their value in hauling agricultural and orchard products to market. It is difficult to express the value of this service in figures. It may be assumed, however, that the quantity of goods which otherwise would not reach markets, owing to lack of transportation, would amount to 20 tons per vehicle and per person, or a total of 10,000 tons. These goods would consist mainly of milk, vegetables and fruit, which - when not properly marketed - would be partly wasted or used as animal food or for distillery purposes. The value of these goods would be at least \$100 per ton, or an additional benefit of \$ 1,000,000. Consideration should also be given to the fact that an improvement in marketing possibilities usually leads to an increase in production itself.

In order to increase the production of artificial fertilizers, the importation of 40,000 tons of crude phosphate has been suggested; further the rehabilitation of the Pét Nitrogen Works. From the crude phosphate, 80,000 tons of super-phosphate could be produced. This quantity would mean an increase of approximately 200,000 tons in the production of wheat, representing at least \$10,000,000 per year.

The importance of the rehabilitation of the Pét Nitrogen Works can be judged by the fact that this factory in pre-war times manufactured 50,000 tons of artificial fertilizers annually, containing 17 per cent of nitrogen. The minimum effect of nitrogenous fertilizers in increasing production - in terms of bread-grains - is two tons per one ton of fertilizer. However, considering that the Hungarian soil at present is very poor in nitrogen, because of the lack of

stable-manure, the increase could reach 2.5 to 3 tons. Thus the increase due to the use of nitrogenous fertilizers can be estimated at \$7,500.000 per annum. The rehabilitation of this factory would mean an important aid not only to Hungarian but also to European agriculture. There is a great lack of nitrogenous fertilizers in Europe, because the German factories /previously converted into war plants/ have been dismantled, and the factories of the Italian Montecatini-combine were destroyed during the war. A considerably part, at least 20,000 tons, of the production could be exported to other European countries. It should be mentioned also that by a slight increase in costs the capacity of the Pét Nitrogen plants could be increased to 80,000 tons per annum.

Among the medical supplies for animals, the effect of the hog-serum can best be evaluated. The 20,000 liters of serum requested would be sufficient for 650.000 hogs. Assuming that at least 15 per cent of these animals would perish without this serum, the value of the animals saved by the serum can be estimated as at least \$3,000.000.

The protective value of the chemicals for plant-protection is about in the same ratio to their cost as in the case of the serums; their value can also be estimated as at least \$ 3,000.000.

Among the seeds for planting, special mention should be made of sugar beet seeds. Their importation is a pre-requisite for Hungarian sugar-beet production in 1947. Sugar-beet seed requires a two-year cultivation. Seed stocks from the year 1944 have been almost entirely destroyed, and in 1945 there was no sugar beet seed production. The remaining stocks were used in 1946; this it will not be until 1948 that Hungary will have her own sugar-beet seed supply. Accordingly, Hungarian sugar-beet production /:the value of which, if counted at only 50 per cent of the pre-war average, amounts

to 10 million dollars:/ depends entirely on the importation of sugar-beet seeds.

The suggested quantities of other seeds for planting would be sufficient for 40,000 hectares. On this area, an additional production value of 50 per cent, i.e. 800,000 dollars could be counted upon.

Importation of packing and wrapping materials would greatly facilitate the marketing of certain products, and at the same time would reduce transportation losses /:caused by rain, etc.:/ Considering these factors, a benefit of about two million dollars could be calculated.

The importation of lubricating oils is necessary, to ensure adequate servicing of the tractors to be imported.

The effect of the increase of production of breeding animals is almost invaluable. Without assistance from abroad, the stock of Hungarian cattle would not reach the pre-war level before ten years. The importation of 50,000 cows would increase the present stock by about 10 per cent and would shorten the above mentioned period by 2 - 3 years. The gain derived from the young calves, from increased milk-production, stable-manure, and from the increase in the number of other breeding-animals listed would total at least \$4,500,000 annually. In addition, the benefit derived from improvement in the standards of cattle-breeding should also be given in consideration.

Summarizing the above, the production-increasing effect of the program suggested may be evaluated as follows:

| <u>ITEMS</u> | <u>Production-Increasing Effect of Implements Listed in:</u> | | | |
|--|--|-----------|------------|--------|
| | Group I. | Group II. | Group III. | Total. |
| | /in million of dollars/ | | | |
| Horses and tractors | 14.3 | 14.3 | 14.4 | 43.0 |
| Other machinery and implements | 0.3 | 0.5 | 0.5 | 1.3 |
| Jeeps | - | - | 2.0 | 2.0 |
| Artificial fertilizers: | | | | |
| a/Phosphate | 10.0 | - | - | 10.0 |
| b/Nitrogen | 7.5 | - | - | 7.5 |
| Veterinary and plant protective supplies | - | 3.0 | 3.0 | 6.0 |
| Seeds | - | 10.0 | 0.8 | 10.8 |
| Packing and lubricating materials | - | - | 2.0 | 2.0 |
| Animals for breeding | - | - | 4.5 | 4.5 |
| Total of annual benefits | 32.1 | 27.8 | 27.2 | 87.1 |
| Value of suggested imports | 10.0 | 10.0 | 19.8 | 39.8 |

As shown above, the amount of production increase already in the first crop year would much more than equal the cost of the imports requested. The first year's benefit is relatively smaller in the case of Group III, because the importation of livestock would produce most of its effects in the following years.

It is to be assumed that out of the production increase more than one-half could be exported, which means that quantitatively - considering also the price changes - almost 40 per cent of the pre-war level of Hungary's exports in agricultural products could be reached in the first crop year by aid of the requested program. This could be regarded as a

COPY.

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minimum level, because some exports /e.g. fruits, vegetables, poultry, eggs, etc./ have already been begun.

The value of the exports which could be produced by the program in the first year would fairly amount to the total cost.

If the requests of the Hungarian Government were to be granted, it would be highly desirable to ensure the collaboration of some of the UNRRA experts in order to arrange details with regard to quality, source and utilization of the implements which have been requested.

Washington, D.C.

June 15, 1946.

COPY.

Annex II.

A Second Emergency Program for Hungary.

In view of the difficulties which still exist in certain food supplies, the Hungarian Government begs to ask for the granting of a second emergency relief which would enable it to obtain a minimum of public supply in fats, sugar, meat and milk during a period during which there is no possibility to cover the country's needs out of its own resources.

The Chief of the UNRRA Mission has asked the Hungarian Institute of Economic Research to investigate the question of public supplies and to state the quantities of food imports which would be necessary to obtain sufficient supplies to provide a minimum standard of living. The minimum number of calories to be considered were fixed by the Chief of Mission. They vary in accordance with the various classifications of the population.

In all cases the Institute calculated import requirements until the beginning of marketing of the new domestic crop /:i.e. grains August first, sugar October first, meat and fats until January first:/. On the basis of this investigation, an import surplus consisting of 10,000 tons of wheat, 7,000 tons of meat, 7,000 tons of fats, 5,000 tons of sugar and 2,000 tons of condensed milk has been estimated as necessary for the period June-December, 1946.

It should be pointed out here that the rations fixed by the Chief of Mission were very low. If either the actual consumption of the year 1938-39 or the "normal Standards" fixed by the Health Committee of the former League of Nations taken as a basis, the import requirements of Hungary would be about thirty times the amount of wheat, ten times the amount of meat, five times the amount of fats and almost ten times the amount of sugar and milk quantities

given above.

Inasmuch as deliveries of wheat will probably not be feasible before the arrival of the new domestic crop, the Hungarian Government faces considerable difficulties with regard to bread supplies. However, it would be useless to request grain imports which could arrive only about the time when the domestic crop would already be available.

With regard to the requirements for fats, it may be mentioned that these could partly or totally be covered by deliveries of copra, palmseed or any other variety of oilseed in a corresponding quantity.

The Hungarian Government desires to draw attention to the fact that by granting the quantities requested it would be possible not only to assure a minimum standard of living to the Hungarian people, but very important aid would also be given to the efforts towards stabilisation of the currency which are planned for the first of August, 1946. One of the most essential prerequisites of stabilization is the possibility of providing the population - under a severe rationing system - with commodities of primary importance.

Measures have already been taken to secure rations in bread, flour, potatoes, beans and peas, salt, tobacco; further to a very moderate extent and for certain classes of the working population, rations in clothes, footwear and certain other manufactured articles. There is no possibility to secure sugar and fats /oil/ rations before October first and January first, respectively. Provided this gap were filled, a considerable strengthening of the purchasing power of money could be achieved.

With regard to deliveries of meat, supplies of this commodity would largely be used to provide for industrial

COPY.

- 3 -

workers and miners rations which would correspond to their individual achievements, thus increasing the efficiency of industrial workers. Canned milk would naturally be reserved for children.

Washington,

June, 15, 1946.

ANNEX 111.

Job-Work Contracts.

/1/

cu
As a consequence of raw materials or of foreign currencies for their purchase, a very considerable portion of Hungarian industry possesses unused capacities. By means of job-contracts, the Hungarian Government is now suggesting a form of help that could be realised, and which would satisfy the desire of Hungary to respond at least in part to the good will of other countries by immediate service in return.

The services which could presently be rendered by Hungary to other countries restrict themselves to industrial labour. The Hungarian Government therefore asks for an examination of the possibility that job-work contracts could be arranged between Hungarian factories and UNRRA /or with its kind meditation/ and foreign countries which lack industrial capacity. Thus Hungarian industry would be enabled to begin activity and, by the export of products manufactured out of its portion of raw materials, to secure further purchases abroad.

Inasmuch as UNRRA must provide several countries with industrial products also, it would appear possible that such contracts could be negotiated between UNRRA and the Hungarian firms. The Hungarian Government would assume responsibility for the fulfilment of these contracts. The present memorandum deals only with some suggestions as to existing possibilities.

/1/ This expression, which has been coined by the UNRRA Mission to Hungary, means a contract by which the owner of raw materials delivers them to a Hungarian factory for manufacture. The factory obtains the equivalent of the work performed by retaining one part of the raw materials delivered.

1. Edible vegetable fat or margarine. The manufacturing capacity of leading Hungarian oil-extraction firms, for the period of time during which they will not receive raw material from domestic sources /June to November 1946 would ~~yield~~ yield about 5,600 tons of edible vegetable fat. This may be increased by 2000 tons when some smaller factories join. By edible vegetable fat is meant stiffened edible vegetable oil without addition of any other material. About one-half of this production, if desired, could be converted into margarine /i.e. stiffened vegetable fat mixed with water and other ingredients./

After the marketing of the Hungarian sunflower crop, a daily capacity of 10 to 20 tons of vegetable fat could be reserved for job-work purposes. This quantity may eventually be increased, and even margarine may be produced by job-work. This of course would depend on the amount of Hungarian sunflower crop available.

Negotiations could be begun with the Hungarian factories concerning the percentage of job-work. It would seem that out of every 100 units of copra, 45 units of vegetable fat could be placed at the disposal of UNRRA, with the provision that the sacks of jute containing the copra, as well as the cake and the soap-stock, may remain in Hungary.

2. Yeast /barm/ and nourishing preparations made from yeast could be manufactured in large quantities from imported raw materials, e.g. molasses.

3. The Leather and Shoe Industry. The Capacity of the Hungarian leather industry is very considerable even in relation to world markets. In addition, the industry possesses special manufacturing methods and patents. The capacity of the industry in pre-war years included exports of several thousand tons of prepared leather. The shoe factories were also equipped to export. Twelve leading Hungarian leather and shoe factories have submitted an offer to the UNRRA Mission in Budapest for job-work. For the finishing of raw hides into

prepared leather, they desire to receive 30 per cent of the finished raw material. The shoe factories would expect to receive as much leather as they are to utilize for the order.

In accordance with the offer made by the factories, the industry would be in a position to manufacture 50,000 pairs of shoes monthly, including the preparation of the necessary amount of raw hides into finished leather. The monthly raw material requirements would amount to about 170 tons of heavy salted cow hides /suitable for sole-leather/ and 144 tons of light unsalted cow hides /suitable for uppers/. Of these, 64 per cent would be turned over to Hungary, as equivalent for the manufacture.

The shoe factories naturally need other materials besides the leathers, e.g. linings, threads, etc., which could be obtained in the domestic market. On the other hand, the tanning material required for the tanning of the hides should be delivered from abroad. The requirement for the tanning of each kilogram of salted cow hides of sole-leather is 0.7 kg, 65 per cent, tannin-containing vegetable tanning extract, and for each kilogram of unsalted hides for upper leathers 0.4 kg chromchaliun or chromnatron, with 50 per cent chromoxyd, is required. A proportionate amount of these tanning materials would have to be turned over to Hungary. The monthly requirement for the manufacture of 50,000 shoes would amount to 119 tons of quebracho-extract and 6 tons of chromchaliun or chromnatron.

4. Prepared Furs and the Fur Trade. Exports of prepared furs /primarily exports of lambskins prepared under Hungarian patents/ exceeded 1,000 tons per annum in the pre-war years. The fur industry almost exclusively used raw materials from foreign countries; thus there is a possibility for an agreement for production against compensation in kind in this field also. The agreement could be combined with one

for the manufacture of ready-made winter clothing, which also might be needed by UNRRA.

5. The Wool-Spinning and Weaving Industries.

While the capacity of the Hungarian cotton industry is occupied with production under the Hungarian-Soviet agreement for a long period of time, the capacity of the wool industry is as yet unutilised. The production of knitted goods from woolen yarns should also be considered in this connection.

6. Rayon and Other Synthetic Materials. The Hungarian textile industry is equipped for the processing of considerable quantities of rayon and synthetic yarns, as well as for the manufacture of woven cloth, stockings and knitted goods. This branch of industry is also exploited only partially.

7. Jute, Hemp and Flax Industry. In former years Hungary exported considerable quantities of jute and hemp sacks and of ropemakers' products. The absence of imported jute and the decrease in domestic production of hemp and flax have rendered a great portion of manufacturing capacity available for job-work agreements.

8. Ready-made Clothing. Several important firms in the wearing apparel industry would be willing to work for foreign firms, perhaps in connection with the agreement concerning the wool and rayon industries. As to clothing to be made from cotton cloth, an agreement could be considered only if the cotton cloth were placed at the disposal of Hungarian firms.

9. A job-work agreement could be concluded for the production of Phosphor-containing fertilizers if Hungarian manufacturers would be able to obtain the necessary North African or American phosphates.

10. The Pharmaceutical Industry. Many Hungarian pharmaceutical factories were forced to suspend production because of lack of raw materials. The most important raw materials which would be needed for job-work production are the

the following:-

- a/ Nitro oxiphenylarsin acid /for the manufacture of Arzenobenzol/ in an amount of 50-75 kilograms per month's producing 40-60 kilograms of arsenobenzol.
- b/ Opium, 1300 kgs per month's giving 125 kgs of pure morphine, or dried poppy capsule.
- c/ Insulin powder, for the manufacture of any amount of insulin.
- d/ Pàncreas, 10,000 kgs per month: the alcohol necessary for its manufacture may be supplied in Hungary.
- e/ Sodium dihydrophosphate, 80 kgs per month; needed for the manufacture of a medicament called Optacid.

These are only examples. The Hungarian pharmaceutical industry is in a position to assist UNRRA with job-work to a very large extent.

11. Manufacture of Tanning Material. There are large possibilities, both for extracting natural tanning material and for the manufacture of synthetic material, provided the raw material can be obtained.

12. Manufacture of Wood Panelling and Furniture. Both articles have been important export items. In the present situation of Europe, there is a tremendous need for cheap and good furniture, and of course panelling material is also very much needed. Following the example of the United Kingdom to make the right choice in the types to be manufactured in quantity, Hungarian manufacture of furniture and panelling could contribute largely towards the reconstruction of Europe.

13. Rubber Articles. The resumption of the former export of these goods is only a question of raw materials.

14. Iron, Metal, Machines, Electrical and Precision Industries. As is well known, the capacity of the above industries serve the purposes of reparation and reconstruction. However, in this field there are also some branches that are not available for these purposes. These facilities

could also be utilized for job-work, provided the raw material is supplied.

Washington,

June 15, 1946.

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DG 25/12

FOR INFORMATION ONLY.

INCOMING CABLE

ATTENTION: G.C.S.

WASHINGTON.....TO.....BUDAPEST

No.129
En Clair

DATED: 5th July, 1946.
RECD: 19.50 hours.
5th July, 1946.

Repeated to London No.9867

.....

ENC 29

Re your 89, repeated London 114.

1) Hungarian Government here submitted request for additional program which is being presented to Central Committee for action.

2) Due uncertainty of action by Central Committee, and limited UNRRA funds now remaining unencumbered, desire you adopt pessimistic attitude regarding outcome.

P.R.D.G. Distribution.

C/AB



INDEXED

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Ag. 25/12

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

1344 CONNECTICUT AVENUE
WASHINGTON 25, D. C.

Mr. Louis C. Stephens
Asst. Legal Adviser
UNRRA Headquarters, ERO
London, England

Dear Mr. Stephens:

I don't believe it is necessary to forward another copy of Jacobson's memorandum on the persecuted groups since we have resolved the issue with which the memorandum dealt.

The question in point was whether we would consider as eligible persecuted groups who may have left their homes before 1939 and gone to the Far East, and the Director General has ruled that this group may be considered as eligible.

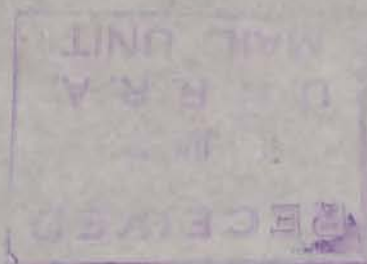
Sincerely yours,

Alfred E. Davidson

Alfred E. Davidson
General Counsel

*1/4 Am. M.C.
LCT
10/7/46*

*SEE LETTER from Mr. Stephens to Mr. Davidson
19.6.46*



encl (31)



INDEXED

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DG 25/12.

FOR INFORMATION ONLY
INCOMING CABLE

ATTENTION: G. O. S.

BUDAPEST.....TO.....WASHINGTON

No. 100

D. 26th June, 1946.

R. 10.16 hrs. 27th June, 1946.

(En Clair)

Repeated London 127

Personal La Guardia from Sommer.

Have noted frequent references your interest world shortage fertilizers. Hungary has plant partially destroyed by bombing capable producing 80,000 tons fertilizer annually. Plant now producing but machines which produce basic chemicals completely destroyed. If UNRRA could offer immediate assistance 20,000 tons fertilizer would be available export by Autumn and 50,000 tons 1947. Estimated cost reconstruction approximately four million dollars, largely machines and building materials. Would require six months to rebuild plant. Meanwhile if 23,000 tons nitric acid and 7,000 tons ammonium available from Poland could be imported, 50,000 tons fertilizer could be produced this year. Hungarian Government offers to consider all amounts advanced as loan and would repay in fertilizers for export. This project in line with Administration's policy rarely implemented import materials for processing within one receiving country for purpose export relief uses to another receiving country. Urge that if four million dollars is not available for reconstruction that at least the raw materials be imported so that fertilizer may be manufactured immediately. If UNRRA unable to help would International Emergency Food Council be interested?

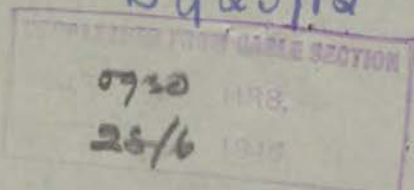
P. R. D. G. DISTRIBUTION



ACTION COPY

33

DG 25/12



INCOMING CABLE

ACTION: OFFICE OF P.R.D.G.
MR. WOODBRIDGE

BUDAPEST.....TO.....LONDON

No. 120

(en clair)

Dated: 21st June 1946

Rec'd: 23rd June 1946

12.03 hrs.

Repeated Washington 95

Object impression given paragraph F and G section 2 your
SvG 11 referring your 6602 Washington. Children especially in
cities not fed "better than minimum existence." Even though all
indigenous and foreign agencies giving preference expectant, nursing
mothers, children, because extreme scarcity proper foodstuffs only
group assisted by JDC found receiving more than 1,000 calories daily.
Special attention this group with good weather conditions, some
improvement due garden supplies have brought high mortality rate
last winter especially Budapest to normal 9% now. However, unless
resistance develop now and living conditions improve, rate bound
increase next winter.

Miners now receiving preferential wages and rations and we
consider this group same priority as miners industrial and other
workers and that they require particularly milk, sugar, proteins,
some fat. Statement paragraph F "impossible prevent considerable
resale UNRRA foods" unfounded.

Re. your 97. We and Government understand inclusion heavy
workers variation not extension UNRRA programme.

JG/ID

Advance copy
seen by G Woodbridge
who confirmed to action
necessary
8 June 27/6



Budapest

PO

fs

C CR 82/22 BUDAPEST S 1419 172 21 1753
URGENT & IMPORTANT

ETAT

1946 JUN 23 PM 12 03

UNRRA LONDON - **ADVANCE ACTION COPY - UNCHECKED**

120 REPEAT WASHINGTON 95 OBJECT IMPRESSION GIVEN

PARAGRAPH F ~~NYXX~~ AND G SECTION TWO YOUR SVG 11

REFERRING YOUR 6602 WASHINGTON STOP CHILDREN

ESPECIALLY IN CITIES NOT FED QUOTE BETTER THAN

MINIMUM EXISTENCE UNQUOTE STOP EVEN THOUGH ALL

INDIGENOUS AND FOREIGN AGENCIES GIVING PREFERENCE

EXPECTANT NURSING MOTHERS CHILDREN

BECAUSE EXTREME SCARCITY PROPER FOODSTUFFS ONLY

GROUP ASSISTED BY JDC FOUND RECEIVING MORE THAN

ONETHOUSAND CALORIES DAILY STOP SPECIAL ATTENTION THIS GROUP

WITH GOOD ~~WETXX~~ WEATHER CONDITIONS

SOME IMPROVEMENT DUE GARDEN SUPPLIES HAVE BROUGHT

HIGH MORTALITY RATE LAST WINTER ESPECIALLY

BUDAPEST TO NORMAL NINE PERCENT NOW STOP HOWEVER

UNLESS RESISTANCE DEVELOP

NOW AND LIVING CONDITIONS IMPROVE RATE BOUND

INCREASE NEXT WINTER STOP PARAGRAPH MINERS NOW

RECEIVING PREFERENTIAL WAGES AND RATIONS AND WE

CONSIDER THIS GROUP SAME PRIORITY AS MINERS

INDUSTRIAL AND OTHER WORKERS AND THAT THEY REQUIRE

PARTICULARLY MILK SUGAR PROTEINS SOME FAT STOP

STATEMENT PARAGRAPH F QUOTE IMPOSSIBLE PREVENT CONSIDERABLE

RESALE UNRRA FOODS UNQUOTE UNFOUNDED STOP ~~PARGXX~~ PARAGRAPH

REUR 97 WE AND GOVERNMENT UNDERSTAND INCLUSION

HEAVY WORKERS VARIATION NOT EXTENSION UNRRA

PROGRAM = UNRRA BUDAPEST +

FIGS 120 95 11 6602 +

GB L LAN 4116

| | | | |
|-----------|----------------|-------|----------|
| CABLE No. | 120 | FROM | Budapest |
| DATED | 21/6 | REC'D | 23/6 |
| ACTION | Mr. Woodbridge | | |
| ATTENTION | | | |

*See Genl
No action
Gmnd.
2076.
L.F.*

Telephone :
LANGHAM 3090

UNITED NATIONS RELIEF AND REHABILITATION ADMINISTRATION,
EUROPEAN REGIONAL OFFICE,

11, PORTLAND PLACE,
LONDON, W.1.

Reference.....

Your Ref.....

3.30 Thurs 13 June

32

Thurs.

Dear Wraynt,

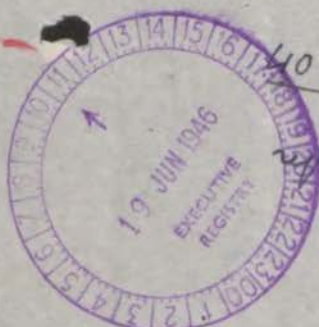
Mr. Kovago, the Mayor of Budapest
is here at the invitation of the Mr. Council.
He wishes to thank the P.R.D.G. for
the Hunna supplies. Do you think the P.R.D.G.
could & would like to see him. If so please
phone Mr. Wolff at the Legation Floane

40 48. I am still struggling with my blood
sugar. I begin to see daylight.

Ever

Next Tues & Thurs. wd. be bet.

V. Walz



OG 25/12 (5429)

OUT FILE

31

19th June, 1946.

A. E. Davidson, Esq.,
General Counsel,
UNRRA,
1344 Connecticut Avenue,
Washington, D.C.

Dear Al,

In your cable to Mr. Ward, Nr. 1620 of 28th February, you refer in Paragraph 2 to "Jacobson's memorandum previously sent ... by airmail".

The subject presumably was similar to that of the cable - persecuted groups who have returned to their homes in ex-enemy territory.

As we do not seem to be able to locate this memorandum, I would appreciate it very much if you could send us another copy.

Louis C. Stephens
Asst. Legal Adviser.

LCS/ebt

RECEIVED
OUT FILE

20/6/46.



OUT FILE

30

OUTGOING CABLE.

DG 25/12. Copy F.

ORIGINATED BY: Office of the
General Counsel.
Mr Dudley Ward.

LONDON.....TO.....WASHINGTON

No. 7529
En clair

DATED: 19th June 1946
17.45 hours.



.....
Davidson from Ward.

Although Director General's letter of 13th February to Hungarian Minister contained no specific reference to use of local currency proceeds for financing transit UNRRA supplies through Hungary presume you agree we can call on such proceeds for this purpose. Please confirm urgently.

BG/IPC

INDEXED

INCOMING CABLE.

Action: - C.O.S.

BUDAPEST.....TO.....WASHINGTON

No. 89

Dated: 19th June 1946

(EN CLAIR)

Rec'd: - 21st June 1946
1614 Hours.

REPEATED TO:
LONDON No. 114

LEGUARDIA FROM SOMIER.

1. UNRRA'S shipments scheduled arrive Hungary June and July should use desperate Food situation these months. What Harvest expected to reach 60 to 70% pre war level and Bread Grains will not present acute problem coming year. Situation other Foods for 4,000,000 non suppliers will deteriorate rapidly beginning August. Additional help Hungary must be allocated if assistance given so far is not to be wasted. Chaotic winter looming. I believe it important that at least Fats, Sugar, Milk and Meat allocated Hungary in sufficient quantities prevent starvation. Fat shortages most acute but Sugar Milk and Meat also desperately needed. Based on lowest possible caloric standard 1200 normal consumer, 1800 Children, 2000 for Industrial Workers, 2500 Heavy Workers and Miners urgently request additional allocations to Hungary for following Food Stuffs. FAB 7000 tons according to Norm League Nations 70000 tons would be necessary to meet consumption level Hungary 1938 35000 tons necessary Sugar, 5000 tons League Nations Norm, 7,4500 tons 1938 Hungary level, 48000 tons Milk, 1800 tons League Nations Norm 17500 1938 Hungary level 16600 tons, Meats 7000 tons League Nations Norm 105000 tons, Hungarian 1938 level: 70000.

3. Total value items requested as per list received from Washington Supply Department equals 7000 tons Fats dollar 2,520,000, 5,000 tons Sugar equals dollar 580,000 1,800 tons of Milk Powder Skim and whole Milk average dollar 1,134,000, 7,000 tons of Meat dollar 2,100,000, approximate cost dollar 6,334,000. Further Medical Assurance absolutely necessary to prevent unnecessary deaths from lack of Medicines and Equipment until arrangements can be made for future steady supply of above. Dollar 350,000 allocated for present program is hopelessly inadequate. Hospitals Orphanages and other Institutions desperately in need of textiles, special Infant Foods, Minor Equipment and Biologicals shall have program ready within few days specifying urgent needs in details. Value about one and half million. Will include Raw Materials for Drug and Biological Factories here now standing idle for lack Raw Materials or Foreign Credits. This art sell financial by return of finished products to be used in Relief Med Supply Program.

/Believe.



Believe all Med Supply Procurement matter of few months absolute necessity until things get better here. I cannot reiterate strongly enough the need for this Relief for Hungary and emphasize the fact that this will cover only the barest minimum needs. A program double or triple this amount is really necessary to prevent suffering among those in the greatest need. Members of my Mission agree with me that it appears to be poor economics to ignore the Agricultural Potentialities of Hungary which prior to the war was a Proportionately large Agricultural exporting country. Agrhab assistance if given to Hungary would result in relief not only for Hungary but for other European Countries expected to suffer in 1947. If forecasts of continuation of the Food Shortages are correct. Greatest needs are for Tractors, Plows, Harrows, Dray Horses, Sprays, Seeds, Packing Materials, Breeding Animals, Fertilizers, if Raw Materials could be shipped manufacture Fertilizers Hungary can export as estimated 40,000 tons. Hungarian Govt has submitted plan based on dollar 10,000,000 program dollar 20,000,000 program dollar 40,000,000 program and is prepared to export 50% of all products in excess of this years production. Agrhab assistance given Hungarian Govt. will if necessary consider it as loan and amortize over several years through exporting Agricultural products. Please indicate if interested in detailed plans, advise as to possibilities of such a program.

P.R.D.G. DISTRIBUTION.

VB/CG.

28

OUTGOING CABLE

DG25/12.

ORIGINATOR:
P.R.D.G.'S. OFFICE.
MR. J.R. WRIGHT.

LONDON.....TO.....WASHINGTON

NO: 7320.

Dated June 14th. 1946.
1440 hours.

Enclair

Encl 26
Your 8132 Agree. Budapest informed.

ES/LE

P.R.D.G. DISTRIBUTION.



27



OUTGOING CABLE.

DG 25/12.

ORIGINATOR.
PRDG'S OFFICE
MR. F.R. WRAIGHT.

LONDON.....TO.....BUDAPEST

NO: 97.

Dated. June 14th. 1946.
1652 hours.

Enclair.

Enc 20a

Re our 6602 to Washington repeated Budapest 74.

Both Washington and we feel inclusion heavy workers somewhat doubtful but if you convinced reasons adequate we would not object. You will realize this is a variation and not repeat not an extention of UNRRA programme in Hungary. It is essential you make this perfectly clear to Hungarian Government.

PRDG DISTRIBUTION.

ACTION COPY

26

3

INDEXED

INCOMING CABLE

DESPATCHED FROM CABLE SECTION
TIME 0900 HRS.
DATE 19/6 1946

DG 25/12
Copy to 25/12

DG

Action: Office of P.R.D.G.
Mr. Woodbridge.

WASHINGTON.....TO.....LONDON

No. 8132

Dated: 11th June 1946

En Clair.

Rec'd 08.53 hours
12th June 1946

enc 20a
194
enc 24

Your 6602 and 6749 feel inclusion heavy workers somewhat doubtful under Hungarian agreement but in light agreed view Mission and Government would not at this time propose to object. If you agree please communicate this view to Mission. Wish to avoid any implication that UNRRA stands ready to expand scope of Hungarian program which might result from failure to object that heavy workers are not strictly within categories to be helped.

C/PW



Df file

12 JUN 1946

Com: 4
~~to EU~~

Wash

0853/12

UNRRA 4/12 G94 WASHINGTONDC 76 1/50 11

NLT UNRRA LDN =

8132 YOUR 6602 AND 6749 FEEL INCLUSION HEAVY WORKERS

SOMEWHAT DOUBTFUL UNDER HUNGARIAN AGREEMENT BUT IN LIGHT
AGREED VIEW MISSION AND GOVERNMENT WOULD NOT AT THIS TIME
PROPOSE TO OBJECT. IF YOU AGREE PLEASE COMMUNICATE THIS
VIEW TO MISSION. WISH TO AVOID ANY IMPLICATION THAT UNRRA
STANDS ~~TTTT~~

~~FIGS 8132 6602 6749 RD AND GOVERNMENT~~



~~G94/2/26 NLT UNRRA~~

READY TO EXPAND SCOPE OF HUNGARIAN PROGRAM WHICH MIGHT
RESULT FROM FAILURE TO OBJECT THAT HEAVY WORKERS ARE NOT
STRICTLY WITHIN CATEGORIES TO BE HELPED = LAGUARDIA ++

6602 } Attached
6749 }

| | | | |
|-----------|------------------------|-------|------------|
| CABLE No. | 8132 | FROM | Washington |
| DATED | 11/6/ | REC'D | 0853/12 |
| ACTION | Wright: Mc Ward bridge | | |
| ATTENTION | | | |

25

OG 25/12.

INDEXED

INCOMING CABLE

ACTION: MONS. MORHANGE

BUDAPEST.....TO.....LONDON

No. 99

Dated: 6th June 1946

Rec'd: 7th June 1946

(en clair)

16.45 hrs.

For Dudley Ward.

Hungarian Government raises question regarding payment transit charges UNRRA goods shipped through Hungary various recipient countries prior to Hungary UNRRA agreement. These claims total more than entire funds so far allocated Hungary. Please advise.

DISTRIBUTION:

P.R.D.G.

EXECUTIVE ASSISTANT 1

EXECUTIVE ASSISTANT 2

EXECUTIVE ASSISTANT 3

D.D.G. F & A

D.D.G. SUPPLY

D.D.G. R.S.

GENERAL COUNSEL

DR TOPPING

MR. SCHAAF

MR. HERBERT

DR. WELK

MR. ADAIR

DELOITTE

EXECUTIVE REGISTRY

DEPUTY CONTROLLER

FINANCE REGISTRY

B/ID



OUT FILE

Oreg DG 25/12
Copy L 23/12.

OUTGOING CABLE

Originated by: P.R.D.G. Office,
Mr. Woodbridge.

LONDON TO WASHINGTON

No. 6749

Dated: 30th May, 1946

En clair

Di 22.14 hrs.

Repeated: - - - - -

Budapest 11 Saving.

See our 6602 of May 28th, repeated Budapest 74.

1. Economic Adviser to Hungarian UNRRA Mission states he believes that even present limited UNRRA food supplies should be made available to heavy workers especially coal miners.

2. His views based on following :

- (a) agricultural production about 70% of prewar, almost enough with a little encouragement to feed country and even provide surplus for export. Substantially increased collections from farmers not possible unless they receive some manufactured and inducement goods and drastic decline of collections quite possible if present supply of manufactured goods not maintained.
- (b) though capacity about 60% of prewar, actual level of industrial production only about 30%, barely enough to supply sufficient goods to induce farmers to part with any substantial supplies of food.
- (c) chief limitation of industrial production is lack of coal. Any decline of coal production would almost entirely eliminate industrial production because coal requirements of public utilities and railroads must be met before those of industry hence any decline of coal production will limit industrial production which will in turn adversely affect food collection.
- (e) It is therefore imperative to maintain health of miners and offer them some inducement to maintain and increase production of coal
- (f) Supply of UNRRA food to heavy workers may make more food available for mother child invalid aged group whereas limiting its distribution to that group may mean that in the long run there will be less food available for it
- (g) Furthermore this group now feeding without help of UNRRA on a better than minimum existence level hence except where handled through institutions it will be impossible to prevent considerable resale of UNRRA foods which will certainly not achieve desirable result.
- (h) Foods being supplied not particularly adapted to needs of this group and in many cases more suitable for heavy workers.

3. We suggest you consider these views before acting on paragraph 5 of our 6602.

JS/BCJ



772 4875

6236

OUT FILE

DG 25/12 (4574)

23

Extn. 132

29th May 1946

A.E. Davidson, Esq.,
General Counsel,
UNRRA,
1344 Connecticut Avenue,
Washington 25, D.C.,
U.S.A.

Dear Al,

With reference to the exchange of cables which has been going on between Budapest, London and Washington concerning the application of Resolution 91 to Hungary, I am enclosing copy of a letter which General Gale sent to Mr. Sommer on this subject.

This letter was despatched before the receipt of your telegram 78 to Budapest, 7208 to London, and, therefore, does not reflect your doubts concerning the application of Resolution 91 to countries in which UNRRA has only a special limited programme.

You will see, however, that the line which we took in the letter with regard to the Administration's functions under Resolution 91 is the same as that set out in your cable.

Yours sincerely,

K.A. AICKIN
LEGAL ADVISER

KAA/ARF



22

file
Kunigund
Mr. Wright. ✓
DG 25/12.



INDEXED

To: Mr. Dudley Ward.

From: Mr. Balogh.

1. The relations of the UNRRA Mission to Hungary with the Hungarian authorities have been, from the beginning, extremely cordial. The Government has endeavoured to assist us in every way possible in unusually difficult circumstances. Despite the very strict terms of the Armistice Agreement, which prohibit the communication of data concerning the economic situation to foreign representatives except through the Control Commission, we have been given all the information which we required, i.e. much more than could be justified by the requirements of the relief programme now in execution. We have secured information which was not at the disposal of either the British or the American Mission.

As far as the supervision of the distribution of the relief supplies is concerned, the Hungarians have consented in advance to any condition which the Chief of the Mission laid down or any wish to lay down in future.

The Committee representative of the Voluntary Organisations operating in the country, which was not found to be sufficiently representative, has been reorganised at our request, and we were assured that the Government would co-opt anybody whom the Chief of the Mission might wish to designate.

The Government also organised a special UNRRA Liaison Committee under the Chairmanship of the Prime Minister, with the Economic Adviser to the Prime Minister as Secretary. All Ministers concerned with Economic Affairs and the Secretary of the Supreme Economic Council are members of this Committee, which will have the responsibility of coordinating the UNRRA programme with foreign help obtained from other sources and with the Hungarian economic policy at home. Certain important requirements have already been secured through this Committee by the UNRRA Mission.

2. Public relations were also extremely cordial. We have had an exceptionally warm welcome by all classes and organisations, including the American Mission. The newspapers reported extensively on the UNRRA programme and the Chief of the Mission really had to discourage excessive hopes based on our arrival. There were no attacks similar to those which occurred in other Eastern European countries on UNRRA. This is perhaps due to the fact that Colonel Zwolanzy joined our Mission, and the newspapers of the extreme Left felt it unpolitic to follow a hostile line.

3. Relations with the Russian Occupying Authorities have also been very smooth. Several discussions were made without any permission, and no difficulties were put officially in their way. Such very slight incidents as occurred could be attributed to the relaxation of discipline inevitable in the case of a long and weary occupation duty, or to misunderstanding. Since Colonel Zwolanzy's arrival, we have been given all official facilities, and no further incidents have occurred. Colonel Zwolanzy also seems to be powerful enough to obtain security not merely in Hungary but elsewhere for our supplies. He has also been successful in obtaining extremely quick clearance for all personnel connected with UNRRA and even for personnel who, though not directly connected with UNRRA, perform duties similar to those of UNRRA (Red Cross, voluntary relief organisations, etc.)

4. Altogether during my stay relations within and without the Mission were exceptionally happy. The Chief of the Mission was extremely successful in winning the confidence of all with whom he came into contact, and his relations especially with the Press were as cordial as could possibly be hoped for.

29th May, 1946.

E. BALOGH

Copies:- Dr. Balk.

Mr. Ford.

INDEXED
ACTION COPY

04 25/12

(21)

INCOMING CABLE

| | |
|-------------------------------|-----------|
| DESPATCHED FROM CABLE SECTION | |
| TIME | 0920 HR3. |
| DATE | 3/6 10 |

Action: General Counsel. *SW.*

BUDAPEST.....TO.....LONDON

No. 80

Dated: 28th May 1946

En Clair.

Rec'd 09.05 hours
29th May 1946

Personal for P.R. D. G. from Sommer. Re your 63. Report that I have pressed Hungarian Government for Moratorium food deliveries ridiculous. Hungarian Government would have no authority to put Moratorium into effect. Discussions re resolution 91 held as result specific request for clarification from members of Government. During discussions I informed Government that I would ask London and Washington for clarification. I have asked for specific instructions from both you and LaGuardia. Fully aware I cannot negotiate re resolution 91 at this level therefore have not approached Russian authorities. Would appreciate clarification re resolution 91 as applying to Hungary soonest.

M/EW

Distribution P.R.D.G. Limited.



Wash

(20)

28 MAY 1946

CC 45

DG 25/12

INDEXED

| | |
|----------------------|--|
| PRDG DISTRIBUTION | LIMITED DISTRB. |
| ACTION | PRDG DOG'S CC EX ASSETS ACTION |

UNRRA48 G141 WASHINGTONDC 171 VIA CIAL 27

NLT UNRRA LONDON

78 BUDAPEST RPT LONDON 7208 FOR GALE CONFIDENTIAL TO SOMMER

YOUR 53 1 RESOLUTION 91 DOES APPLY TO HUNGARY 2

ADMINISTRATIONS FUNCTIONS UNDER RESOLUTION 91 ARE LIMITED TO

REPORTING TO CENTRAL COMMITTEE ANY INFORMATION WE MAY RECEIVE

INDICATING WHETHER THE TERMS OF THE RESOLUTION ARE

BEING COMPLIED

WITH IT IS FOR THE CENTRAL COMMITTEE TO DECIDE WHAT ACTION
SHOULD BE TAKEN YOU SHOULD THEREFORE REPORT ANY SUCH
INFORMATION YOU RECEIVE BUT IT IS NOT UNRRAS FUNCTION TO
ORGANIZE AN INTELLIGENCE SERVICE IN ORDER TO OBTAIN
INFORMATION OF THIS SORT 3 IT IS NOT FOR UNRRA TO NEGOTIATE

| | | |
|-------|---------|-----------|
| PRDG | DISTRB. | ACTION |
| DOG'S | CC | EX ASSETS |

FOR MORATORIUM ON FOOD REPARATIONS 4 IT IS ~~NOT FOR UNRRA~~ TO
MAKE SUGGESTIONS TO GOVERNMENTS ABOUT CONDITIONS FOR LOANS 5
YOU HAVE BEEN REQUESTED REPORT FULLY TO ERO ON ANY DISCUSSIONS
OF ^{THIS MATTER} ~~THE MATTER~~ WHICH YOU HAVE HAD WITH HUNGARIAN GOVERNMENT OR
OCCUPYING POWERS REPEAT TO US 6 1

AM SENDING COPIES OF THESE CABLES TO PRDG IN LONDON TO WHOM
FURTHER COMMUNICATIONS ON THIS SUBJECT SHOULD BE ADDRESSED

LAGUARDIA

URGENT & IMPORTANT
UNCHECKED
ADVANCE ACTION COPY
P.R.D.G.

CIAL 78 7208 53 1 91 2 91 3 4 5 6



Hungary
Pracy

① DG
Copy L.

OUTGOING CABLE

20a Orig DG 25/12
Copy L 23/12.

ORIGINATED BY: OFFICE OF P.R.D.G.
MR. WOODERIDGE

LONDON. TO. WASHINGTON

6602
(en clair)
Repeated Budapest 74

Dated 28th May, 1946.
D. 18.40 hours

OUT FILE



Your 6709 of 21 May.

1. Budapest to Washington No. 50 of 17 May should be read as corrective to No. 42 of 13 May.
2. Central Committee Resolution reads "supplies for persons in greatest need such as....". Both Mission and Government interpret this to mean that the categories after the "such as" are given as examples and not repeat not as limits. Both believe they are free to determine persons in greatest need in terms of local conditions.
3. Government believes heavy workers should be included and is vigorously pressing Mission to agree.
4. Government and Mission believe that your agreement to change program to include fats and other foods not particularly suitable for expectant and nursing mothers and children is in effect granting approval to inclusion of heavy workers among those eligible for receipt of UNRRA goods.
5. If you believe distribution should be limited to certain groups and not to locally determined persons in greatest need, you should give prompt and specific instructions to Mission in order to avoid serious misunderstanding.

ks.vmb

OUT FILE

OG 25/12.

Ex Regy.



(19)

27 May 1946

encl (17)

I have given careful consideration to points concerning Resolution 91 raised in your letter of 11th May and I think that the first thing to bear in mind is that the Administration's duties under that Resolution are restricted in the first instance to reporting to the Central Committee, which alone is authorised to determine that the conditions referred to in the Resolution exist. It is not for the Administration itself to raise the matter with Governments or with military forces until the Central Committee has considered the question.

There is also, I think, considerable doubt which I know is shared by Washington as to whether Resolution 91 can properly be regarded as applying to countries in which the Administration is undertaking only a restricted programme and not a full scale relief programme. Certainly, the whole tenor of the Resolution would suggest that it applies only in instances where the Administration is responsible for all the relief imports.

With regard to your specific question concerning reparations, the Resolution, of course, does not refer directly to reparations, nor was this subject raised in the course of the debates at Atlantic City when the Resolution was passed. I think, however, it is true to say that it was not then contemplated that the Resolution would apply to reparations and the terms of the Resolution bear this out since they refer merely to the consumption on the spot by occupying military forces of indigenous resources. I think that it is reasonably clear that the Resolution is directed toward local consumption by occupying forces actually in the country and that it is not intended to apply to reparations.

I am not sure what your particular doubt about Section III is, but I hope that this letter makes our view of its operation clear, namely that the Administration's duty is in the first instance confined to reporting to the Central Committee and that it is neither authorised nor required to take any direct action itself until the Central Committee has dealt with the matter.

(Signed) H. M. GALE

Mr. Stanley L. Sommer,
Chief of UNRRA Mission to Hungary,
BUDAPEST,
Hungary.

May 27th 1946

DRAFT LETTER

Stanley Sommers, Esq.,
Chief of UNRRA Mission to Hungary,
Budapest.

*Curris to
Rab
Boch.*

Dear

I have given careful consideration to points concerning Resolution 91 raised in your letter of 11th May and I think that the first thing to bear in mind is that the Administration's duties under that Resolution are restricted in the first instance to reporting to the Central Committee which alone is authorised to determine that the conditions referred to in the Resolution exist.

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/action.....

*Actual letter
gone to T/Pool.
Be copy for outside.*

2011-11-14

... ..
... ..
... ..

1000

... .. action itself until the Central Committee has dealt with the matter.

... .. Yours sincerely,

P.R.D.G.

[Handwritten signature]

KAA/ARP

190

AG 25/12

*See
Hampson*



Attached hereto is copy of Cable #53 from Budapest.

Washington is replying to this and the reply numbers are:-

Budapest # 78 and London # 7208

Washington Cable Division
per Col. A.G.Katzin's request

DB

PRDG

Did you ask /- then ?

ADT.

3/6.



g.w.

Mr. Dudley Ward

To see.

Q

3/6

*Jan
13/6*

UNRRA

INCOMING CABLEGRAM

NUMBER: 53
FROM: Budapest
DATED: Undated
RECEIVED: 22/5/46 - 12:32 p.m.

VIA STATE DEPARTMENT

Confidential and personal, from Sommer, for LaGuardia:

There is great interest in resolution ninety-one in Government circles. Are the terms applicable to Hungary? It is realized that industrial reparations do not concern us, but what is position in regard to utilizing food as reparations payments while UNRRA program is functioning in Hungary? Last year the Government of Hungary signed reparations agreements in which comparatively large food items were included. Although entirely aware that the Government of Hungary is signatory reparations agreements, it is strongly felt that while UNRRA is active in Hungary, an effort should be made in the present food crisis to induce the Government of the Soviet Union to grant moratorium on food reparations. It is self-evident that if food is furnished by UNRRA, and the Soviet Union ships food out, in effect we are feeding Russians instead of Hungarians. Recently agreement was signed extending reparations from six to eight years; terms of moratorium have not been decided as yet, however. In this connection, could it be function of UNRRA to negotiate with the Government of the Soviet Union, and to request a moratorium on food reparations?

It is my specific request that steps be take at once to urge all Allied Governments with whom the Soviet Union is negotiating loans to include provision that part of loan agreements be moratorium on food reparations. In the event the Soviet Union elects defaults in 1945 reparations, in addition to 1946 reparations, plus food loans made, for the most part, from stocks of war booty last year, the Soviet Union could take out of the country about 150,000 tons of wheat, 3,100 tons of fat, 26,000 head of cattle, 14,500 tons of pork, and so forth. Moreover, although the Russian Army has indicated that no requisition of wheat will be made in 1946, arrears are still due from 1945. However, as the Red Army has not waived dairy products, fat, and meat for 1946, they will, in all probability, requisition these items. Your guidance in dealing with this matter will be appreciated.

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*GC - 2

ed:sr 326
tp:tld 430
24c

0425/12.

(18)

INCOMING CABLE.

INDEXED

Action: C.O.S.

BUDAPEST.....TO.....LONDON.
No.67. (En clair)

Dated : 15th May, 1946.

Rec'd : 0912 hours,
16th May, 1946.

Re your 35 X and 40 XX. Urge reconsideration. Decision most unfair Hungarian Government. Entire transaction due failure UNRRA provide transportation despite February requisitions. Acute transportation problem resulted attempt get transportation locally. Hungarian Government at my request secured vehicles in good faith with understanding reimbursable. Please accept proposal our 51. Advise.

X Originated by Col. Easterbrook (IR)
XX " " Mr. Rabbie (OM)
XXX Assigned Col. Easterbrook (IR)

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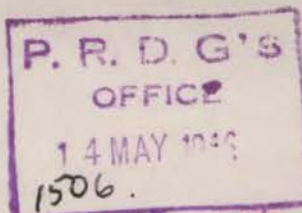
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C/GMR.



0625/12.

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION



INDEXED

17

VIA AIR MAIL

Budapest, 11th May 1946.
Andrássy-ut 78.

General Sir Humphrey Gale,
UNRRA European Regional Office,
11, Portland Place,
London, W.1. England.



My dear General Gale,

I am taking advantage of Thomas Balogh's return to London and getting some news to you and asking for your counsel in solving a few knotty problems.

Our reception here has been extremely cordial. Not only has the Hungarian Government acceded to every request but individual members of the Government have performed many acts of hospitality and friendliness much beyond our expectations. Members of the American and British Mission, both civil and military, have also been most kind and all of us are grateful for the opportunity of working under such amicable conditions.

The Russian member of our Mission, Colonel Zvolinskij, has used his good offices to secure the cooperation of the Russian authorities and, all in all, we are looking forward to an interesting albeit complex experience.

One of the things which has caused me sleepless nights has been the proper interpretation of Resolution No. 91. I have asked Balogh to give you full particulars of the present situation here and he has some extremely well-worked out figures and notes on the subject. I would particularly like an interpretation of Section 3. which appears ambiguous to me and I should also welcome some enlightenment on whether this resolution applies to reparations as well as to the feeding of the armies.

While I fully realize that the Hungarian Government has signed reparations agreements,

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

VIA AIR MAIL

I cannot help but feel that in the present food crisis an attempt should be made to induce the Russian Government to grant the Hungarians a moratorium at least while UNRRA food is being shipped into the country. It is, of course, obvious that if UNRRA ships food in and the Russians take it out we, in effect, are not feeding Hungarians but Russians. Would there be any possibility of deducting such food items as are taken out of the country from the Ukraine or Byelo-Russian allocations?

Another burning question is in relation to the possibility of Agricultural Rehabilitation assistance. Most of the recent directives I have seen from both London and Washington appear to be encouraging expansion of this type of program in recipient countries and it strikes me as being regrettable, that in a time of world food shortage, that Hungary one of the proportionately big pre-war agricultural exporting countries is being neglected. I have already cabled to the ERO asking for help for Hungary, pointing out that even with a small amount of assistance Hungary would be in a position to help neighbouring countries during the acute world shortages already predicted for. Within the next day or two I shall cable to you and to Mr. La Guardia, giving definite proposals on what could be accomplished with a relatively small investment.

You no doubt realize that the money situation here is fantastic. Inflation has completely jumped the barrier and money which we receive one day is worth only half as much the next.

I have asked Dr. Balogh to discuss the problems outlined, and some others, with you and I would greatly appreciate it if you would make it possible for him to present our case to those whose function it is to make decisions in these matters.

I hope that you shall soon honor us with a visit and I should like to take this opportunity of thanking you for the most kind reception I and the members of my staff received in London while en route to our assignments.

Stanley L. Sommer

INDEXED

DG 25/12.

DG file
Hungary
Jan 15/46

(16)

WR

INCOMING CABLE

ACTION: R. S. Dept.,
WR. Division
Col. Charley.

BUDAPEST.....TO.....LONDON

No. 50
(En Clair)
Repeated to
Stockholm Misc. 4

D. 4th May, 1946
R. 6th May, 1946
10.50 hrs.

Prime Minister Sweden answering cable Prime Minister Hungary states "Swedish Government prepared do its best facilitate Hungarian Refugees return their country and has been negotiating very long time with UNRRA to find solution of transport problem"

Hungarian Minister to Sweden while in(?) Budapest discussed matter with us and requested our assistance. Have reviewed entire subject with British Mission of ACC who cabled Troopers also CRX Berlin "BMM/982. Restricted UNRRA representative Budapest have raised question repatriation 1600. Hungarian Government claims only about 400 desire return already registered Hungarian D.P. now living under UNRRA auspices in Sweden. Have agreed suggest to you that these D.P's shipped British Zone Germany and subsequently fed into Hungary from there with regular D.P's whose repatriation from British Zone shortly beginning. Is scheme acceptable to you, if so when could it begin. Grateful your comments."

Since movement Hungarian D.P's from British Zone Germany imminent BMM suggestion appears practical. Please lend every assistance expedite. Hungarian Government claims ready receive repatriate.

MAC/NE



OUT FILE

15

OUTGOING CABLE

DG 25/12.

ORIGINATOR: Office of the Gen. Counsel
Mr. K.A. Aickin

LONDON..... TO..... ACC. HUNGARY FOR UNRRA -
BUDAPEST

No. 32
En Clair

D. 3rd May 1946
DES: 2740 hrs.

— Df. —
Your 45. (14)

1. In absence of any operating difficulties with either Hungarian Government or ACC we think language quoted your telegram sufficient.
2. If any difficulties arise through Hungarian Government being unable to carry out its obligations under the Agreement because of matters covered by Agreement being reserved by Allied Council and not within authority Hungarian Government, further approach to ACC may be necessary.
3. Therefore would not recommend pressing ACC for more precise statement at this stage.



MAC/IF

Please return to

OG 25/12.

ACTION COPY
ACTION COPY

306

DESPATCHED FROM CABLE SECTION

TIME 0930 HRS.

DATE 6/5 1946

14

INDEXED

INCOMING CABLE

ACTION: G.C.

BUDAPEST.....TO.....LONDON

No. 45
En Clair

D. 2nd May 1946
R. 2nd May 1946
1825 hrs.

Gale from Sommer, Your Number 16. Have requested ACC formal approval exchange letters necessary assurances. On March 16th ACC after perusing exchange letters wrote Hungarian Government "ACC has no objection to the conclusion of the contract with UNRRA by the Hungarian Government". I feel this language ambiguous. Appreciate your advice.

JS/IGT

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*24 file
Hampden*

Jas. H. H.

Wm. H. H.

Wm. H. H.

(13)

16 MAY 1946
EXECUTIVE
REGISTRY

EXECUTIVE
REENTRY

Attention:- Supply Dept.
Div. II.
Br. "G".
Mr. Darke.

copy DG 25/12.

BUDAPEST TO WASHINGTON.

No. 28
(EN CLAIR)
Repeated To:
London. No. 42.

Dated: 2nd May 1946.

Rec'd: 3rd May 1946.
10.25 Hours.

Re your 11 repeated London 4192. SUBJECT: HUNGARIAN SEED REQUIREMENTS.
Do not understand request to develop Seed Program for HUNGARY.
Authorized program of operations as received here to date includes no
budget for AGREHAB. Ministry of Agriculture Representatives here
state too late for program this year, but that HUNGARY will desperately
need Seeds for 1947 plantings. If program has changed to include
AGREHAB advise us soonest and will do all possible develop program
as requested. If this necessary recommend you send man soonest.
Total supply force here 2. Forwarding Government Statement on
available surpluses and future needs. Copy also to London. Re
Surpluses see our 29 repeated London 43 #.

⌘ Not yet received London.

JG/CG.

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Confidential

(12)

United Nations Relief and Rehabilitation Administration,

Budapest. May 1st, 1946.

Dr. William G. Welk,
Economic Adviser,
UNRRA European Regional Office,
London.



My dear Bill,

This is the final part of my impressions.

II. The problem of stability.

It is obvious from the conclusions of the preceding section that the solution of the economic problem in Hungary depends on political and not on economic factors. It depends on the relations of the Hungarian political parties to one another and, perhaps even to a greater degree, on the international political situation, on the relations of the three Big Powers.

1. The internal political problem.

The Armistice between Russia and Hungary (the former acting in the name of all Allies) was concluded on the Hungarian side by a few generals, who went over to the Russians at the command of Admiral Horthy, but who either did not try to take over or did not succeed in taking over, a substantial part of the Hungarian Army, which continued to fight on with the Germans and was eventually captured in Austria by the various Allies.

A National Assembly and a Coalition of four "democratic" parties was formed during the period of liberation by what may be called Local Councils. The Communist Party, for obvious reasons, played a predominant part in this coalition, which embraced all shades of opinion. Soon after the complete liberation of the country, elections were held on the basis of secret ballot and adult suffrage. This resulted in the victory of the extreme Right party of the Coalition, the Independent Party of Small Landowners. The Communists and Socialists were reduced to a minority.

If these results demonstrate the freedom of the elections, they also indicate the shock-effect of the occupation of the country by the Russians, which was and remains profound. Could the elections have been staged prior to the occupation, but after the defeat of Germany, it is probable that the parties of the Left would have won a resounding victory. It was inevitable, however, that the Communist Party should be regarded as having the most intimate connections with Russia, and it was not less inevitable, therefore, that any discontent arising out of the facts of occupation, which especially in the first period were extremely unpleasant, should be visited on the Left-Wing parties generally. Nor must it be forgotten that the sweeping land-reform created a new and powerful vested interest in the country which, though opposed to a restoration of the status quo, was no less averse to a continuation of social experiments, and especially to a further threat of socialisation in agriculture by way of establishing kolkhozes. The surviving elements of the Fascist or Nazi regime necessarily voted for the small-holders, as they were the most conservative party with any chance of

success which took.../

success which took part in the elections. Consequently the character of the Smallholders Party, which was an opposition party pure and simple before 1939, changed, and it now resembles those vast "parties" of heterogeneous composition which were a feature of the feudal-fascist regime in Hungary between the two wars.

The leadership and programme of the party still bases itself on the centre, the Radical Smallholders and the smaller or even land-less peasants. But it is by no means certain whether this centre has not lost the majority within the party. The Left Wing of the Smallholders, which was at least ideologically very important last year, has now ~~lost~~ **lost** considerable backing.

The problem of reaction and a possible counter-revolution is by no means simple, and it is intimately connected with the problem of state machinery and more especially of bureaucracy. After 25 years of more or less reactionary and increasingly fascist governments, the selection of the experts by the new regime is more than difficult. People of ability and culture (apart from Jews, who have been under a heavily-increasing racial discrimination) are not to be found easily outside the circle which has been compromised by its collaboration with previous Governments. Given the complexity of the problem now facing the country, it will not be easy to produce a new elite in a short time.

Unfortunately it is by no means clear whether the old elite has accepted the inevitable. At any rate the Left Wing parties are increasingly disturbed, and not without some justification, by the renewed strength of the reactionary sentiment in the country. Sporadic armed conspiracies have been unearthed and it is difficult to know whether their ramifications do not reach higher and important circles. The Catholic Church, which has lost its vast lands, has taken an ultra-conservative line and attacked even the Smallholders for their "red" associations. In some Hungarian quarters it is not much felt, but openly proclaimed, that an armed conflict between the Western Powers and Russia would be the only means of "liberating" Hungary, and these circles have been lent a willing ear by the local representatives of the Western Powers in this country. The Russians are not unaware of this. Given the obvious distress of the middle-classes and more especially of the old army officers and NCO's, a coup d'etat or an attempt at a coup d'etat by the Right is by no means impossible, once the Russians withdraw.

This contingency on the other hand fills the Left with acute unease. The intimate connection between the Right and the representatives of the Western Powers induces a feeling of grievance on the part of the Social-Democratic Party and that of active hostility on the part of the Communists. It also induces heavy pressure by the Left on the Government and leads to feverish activity on their part to secure their key-points in the social and political system, the possession of which would permit the Left to crush any such attempt. Those who have witnessed political developments and the working of the pre-war Hungarian system, must have some sympathy with this point of view, even if they deplore its manifestations and methods and judge it to be foolish, as Russia, even after the evacuation of Hungary, will remain a border country and not, as after 1919, a tremendously strong neighbour.

After the liberation of the country and the breakdown of the previous regime, the gendarmerie, its most important weapon, has been disbanded. A new police force was organised which included a political department directly in the hands of the Communist Minister of the Interior. Serious charges of intimidation and political influence have been bandied about. It was inevitable in the transit-period after a regime of Nazi terror, in which most of the official organs of the previous regime and more especially the

gendarmerie were..../

gendarmerie were heavily involved, that excesses in the opposite direction should occur. It was impossible to find a new body of men in sufficient numbers which combined political suitability with personal integrity and expert knowledge of procedure. Excesses did take place, especially in the provinces, and a certain amount of corruption has been uncovered (though very much less than generally supposed, especially by Western observers). On the other hand the establishment of such a political police force was inevitable, as judicial measures and processes could not secure the new regime in the midst of unparalleled confusion. One must not forget that Hungary has been through one of the most thorough and long fascist rules. A judicial cleansing of the administrative and police machine would not have been possible. This is shown by the relative failure of the so-called "cleansing", the administration of which permitted quite a few compromised people to slip through the net and retain their influence. It is also admitted (even by the Right Wing Opposition to the Government) that the position has much improved, that political internment is no longer handled with the former capriciousness and that the evidence is sifted with greater care and more impartiality. A complete abolition of the political police cannot as yet be contemplated, however, without endangering the "New Deal".

The repercussions of the suffering of the population due to the hostilities and occupation were undoubtedly the main causes of the renewed strength of the Conservatives, who had previously been thoroughly compromised by the defeat of Germany. Given this inevitable development, the fear by even moderate people of a Right Wing coup d'etat is not inconsiderable. Yet it is also true that the measures which the Communists are taking and are pressing on the Government to prevent such a coup d'etat arouse such fear and feelings of uncertainty in the minds of the people most likely to engineer a counter-revolution, that such an attempt is made more and not less likely once the Russians withdraw.

In the last few weeks the Government was strengthened by reports, especially after the Moscow visit of the Prime Minister, that some revision of the Treaty of Trianon is contemplated. If such revision were to include a substantial part of the area inhabited by Hungarians contiguous to Hungary and, prior to 1938, attached to Rumania and Czechoslovakia, the present regime, which - despite all its faults - is a democratic regime capable of development in the right direction, will be given a chance of constructive work. A disappointment in this respect, coming after hopes were raised high, might prove disastrous to the Government and the democratic regime. The Communists would press for closest cooperation with (perhaps inclusion into) Russia. The Conservatives would want to side openly with the Western Allies. Each would attribute to the foreign friends of the other the failure to procure justice for Hungary. The polarisation of opinion which was and remains the gravest danger to Hungarian revival would become acute, and civil war might easily start once the Russians are out of the country. The rectification of the frontier is no question of mere prestige. It is to be feared that the neighbouring countries might expatriate up to 3.5 million Hungarians. This contingency would indubitably cause a catastrophe in Hungary. In Slovakia, where the new regime seems to differ only slightly from the collaborationist puppet system, pressure in this direction is already growing.

The exacerbation of the internal difficulties in Hungary must render the Russians, already painfully aware of the hostile atmosphere, even more suspicious, more eager to obtain economic strong-points in Hungary, less willing to try their new policy of concessions.

The stability of much more than Hungary hinges on the character of the peace-treaties.

2. The influence of Russia.

The position is thus extremely complicated by the attitude and policy of the Russians and of the Communists, who to some extent rely on Russian help. It would not be correct, however, to equate the Russians and the Communists. The strength of the central part of the Smallholders Party now in power (and more especially of the Prime Minister and his Secretary of State, Steven Balogh, who is undoubtedly the most outstanding personality of the Government) is derived from the fact that they have their own intimate connections with Marshal Voroshilov, the Chairman of the Allied Control Commission. This fraction of the Smallholders Party, while averse to a forcible revolutionary change in Hungary, resigned itself to the fact that Russia is the most powerful force in Eastern Europe and that some accommodation must be found with her. The Communist pressure to obtain control of certain key-points, such as the police, may to some extent be explained by their fear that the backing of the Left Wing parties may not be a permanent policy of the Soviet Government.

On the other hand it seems as if the Russians distrust the prospects of a permanent pro-Soviet regime in Hungary. This, I think, is the explanation of their policy to obtain and retain an indirect control of the country by forcible economic penetration. But such attempts at economic penetration may well reduce the chances of establishing a democratic system friendly to Russia, as they arouse intense fear and distrust among the most articulate circles in Hungary.

It has already been pointed out that the Hungarian economy cannot in its present state sustain the burden arising from the army of occupation and reparations, as at present fixed. So far as the former is concerned, the Prime Minister received assurances from Marshal Stalin that the Red Army will be reduced, in quick stages, to below 100,000. If they are garrisoned suitably and well provided, such reduction might well end the constant irritation caused by the presence of foreign troops, as they would be inconspicuous enough to allow for a much greater and much needed segregation from the population. An army of this size would no longer constitute an unbearable burden. At the same time the presence of such an army, which could not be regarded by other powers as a menace, would certainly introduce an element of stability into the troubled Hungarian scene.

I have seen no responsible person of the Centre, including the Smallholders Party, who wishes for an early complete evacuation of the country by the Russians, though all fervently ask for a reduction of its present numbers and a cessation of their interference with the population. Any precipitated evacuation due e.g. to a general agreement of the Foreign Ministers at the preliminary peace conference might well result in an attempt at a coup d'etat by the Right, followed immediately by a retaliatory action by the extreme Left, and a civil war. Such a contingency may well end in foreign intervention, or an outright victory of the extreme Left. Thus it may well be said that suspicions aroused by the Communists in the minds of the Conservative elements of the country would produce the result which the latter most dreads.

It would, in my opinion, be a grave mistake for the Western Powers to insist on complete evacuation of the country, instead of a reduction of the army of occupation. A pressure, especially from the West, would increase the chances of a reactionary coup d'etat, and eventually weaken the influence of the Western Powers in Hungary. Both from the point of view of the long-run influence of the West and of a satisfactory compromise-solution, a retention of a slight Russian occupation force is a pre-requisite of the strengthening of a democratic political system.

The Russian High Command../

The Russian High Command and Government undoubtedly deplores the excesses committed by individual members of the Red Army, but it has now to reckon with the inevitable and unalterable hardening of Hungarian opinion which they brought about. If the present Government, or a Government which, like the present, accepts the fact of Russian predominance in Eastern Europe, should be overthrown by force, or as a result of elections, the Russian claims on Hungary, which have arisen out of the Armistice Agreement and the Potsdam Decision should suffice to reduce any recalcitrant Hungarian Government to obedience.

A balanced recovery depends on willing Russian collaboration and such willing Russian collaboration can only be obtained if the Russians are reasonably certain that Hungary, once she regains her strength, is not going to be a centre of anti-Russian intrigue. The victory of the Conservatives at the polls, the unfortunate intervention of the Catholic Primate in Hungarian politics, and the constant encouragement received by the most conservative circles in Budapest, in their constant intercourse with the American and even more the British Mission (both of which refuse to enter into touch with such other factors of public opinion or political power which favour a close collaboration with Russia) has resulted in a Russian policy which, instead of relying on cooperative spirit, insists on economic strong-points to ensure its defensive position in Hungary (e.g. concessions, Soviet companies, etc.).

The deficient formulation of the Potsdam Agreement relating to German assets in the Russian zone of occupation has permitted the Russians to succeed in this beyond all expectations. As we have seen, the Hungarian Armistice Agreement on reparations cannot be fulfilled. Consequently Russian claims on Hungary accumulate at an increasing rate, as Hungary cannot possibly transfer the sums agreed upon. Nor is she likely to transfer them in the near future. Consequently Hungary will have to cede to Russia capital assets in order to fulfil her obligations, unless Russia makes substantial concessions.

Paragraph 11/2 of the Armistice Agreement has placed further power into Russian hands. The whole of the rolling stock of the railways, such as was not taken away by the Germans (and subsequently captured by the Americans) has been declared war booty by the Russians, who left it in Hungary, but charge a current rent for it, amounting roughly to 3 million dollars per month. The Prime Minister has been assured that this claim will not be insisted upon in the near future. But this does not mean that the Russians may not at a later date demand that the railroads be brought under the authority of a Russo-Hungarian joint company, in which their share will be represented by the unpaid rent, the Hungarian share in the whole remaining substance of the State Railroads.

The Potsdam Agreements ceded all German assets in Central Europe to the Russians. The slovenly drafting of the agreement made no mention of German liabilities, nor was it defined in the agreement what were to be regarded as German assets. Consequently the Russians, basing themselves on the letter rather than on the spirit of the Agreement, demand the surrender of all companies even if they had come into German possession after 1938, i.e. in most cases under duress. After some discussion, the Hungarians handed over the assets of certain Austrian companies, which after 1938 passed, ostensibly without force, into German hands. The Russians also laid claim to the bauxite holding, the most important of the newly-discovered Hungarian natural resources. In addition, the German oil concession passed into Russian hands. In due course Russo-Hungarian joint companies were established for the exploitation of bauxite and the oil concessions. The Hungarians had to contribute the assets of the existing companies and the Russians mainly their claims under Potsdam and partly those which have arisen as a result of the Reparations Agreement. For example, in the case of oil they brought in the German

concessions..../

concessions, some German houses in Budapest now in their possession, a German company, which they could have dismantled, boring tools, and some motor cars and trucks. In the case of the bauxite the Russians agreed not to dismantle the biggest Hungarian aluminium factory, which they obtained as reparations, and consented to take other machines instead of another aluminium factory, which was also liable to be dismantled on the basis of the Armistice and Reparations Agreement. They finally contributed the German shares of the Swiss holding company, which controlled the majority of the bauxite deposits.

The Russians will appoint the general manager in both cases, and his powers are rather far-reaching. The Hungarians succeeded, however, in obtaining important concessions beyond the first proposals of the Russians. They reserved the right of supplying Hungarian industry as a priority and obtained assurances on the price policy of the two companies. It could not be said that the Russians negotiated at the pistol-point. The Air and Fluvial Navigation Agreement, which was not negotiated by experts, is much less favourable to Hungary. Whether this is due to the fact that the Hungarian negotiators regarded a far-reaching influence of Russia in Hungary as a stabilising influence - they were Communists - or were unaware of the technical implications of the details of the Agreement, is difficult to say.

The Russo-Hungarian Commercial Agreement has also given rise to possible Russian claims. The first treaty negotiated under it, which provided for the manufacture of cotton-thread and goods out of Russian cotton, against the payment of the manufacturing cost in cotton by the Russians, was very favourable to Hungary. Hungary was to have delivered 14 million kg of finished products against the Russian delivery of raw cotton of 30 million kg. Unfortunately it was found that the Hungarian spindle capacity could not cope in time with this huge quantity of raw cotton. Nothing whatever would remain for Hungarian domestic needs. Some alleviation of the contract has been obtained now, but in this case again Hungary has incurred a heavy liability on account of unfortunate penalty clauses.

The other commercial agreements concluded with Russia were much less favourable to Hungary so far as prices are concerned. Generally the Russians insisted on charging prices considerably above the world market level, while prices allowed to Hungary are rather lower than the corresponding world prices.

Unfortunately great difficulties still exist in the way of Hungarians making contact with foreign countries. A Russian exit visa is necessary and seldom given. Competitive bidding for Hungarian produce is therefore difficult to arrange. The Russians seem to have been inclined to utilise their monopoly bargaining power fully.

3. The possibility of solution.

This picture, if read outside the political context, may appear to indicate a ruthless Russian desire for economic domination. This interpretation certainly has been accepted by the Western observers in this country. Nevertheless, all indications discernible to those who have some knowledge of the country and who base judgement on information not exclusively supplied by one party, the partisans of the ancien regime only, point to the conclusion, that Russian policy has been motivated much more by a justifiable defensive urge rather than aggressive intentions. Whenever either the Western Powers, or the Hungarian Right seemed to endanger Russian security, pressure was exerted by the Russians; wherever the international tension abated and the Hungarian centre parties seemed to gather strength, important concessions were made. A change in the personnel or the attitude of the American and British Missions here and their closer cooperation with the

Centre would...../

Centre would, in my opinion, have immediate beneficial effects. One cannot help feeling that the gentlemanly sabotage of the big enterprises has contributed to an appreciable extent to the failure of the Hungarian industry to increase production faster, though, as has been pointed out, the labour troubles, the feeling of uncertainty, the constant attacks, have had their share in discouraging these entrepreneurs from full collaboration.

Even if these political difficulties, intractable as they are, were overcome, the Hungarian situation would still be one of great difficulty. The first reconstruction period under the League of Nations was based on a huge foreign-loan inflation. In the short space of five years Hungary borrowed abroad 4,600 million pre-war Pengös. After the crash of 1929, this was no longer possible. The second attempt at reconstruction during the 1930's was based on private capital. It was promoted by enabling Hungarian industry to form cartels and charge high prices for its produce. A considerable part of the consequent profits was used to finance the expansion of industry. Much was dissipated in luxury consumption, one of the reasons for the social discontent, which the fascist dictatorship canalised against the Jews.

There is good justification for a limited programme of foreign help. But sums such as were received from abroad during the 1920's cannot be hoped for, nor would such international indebtedness be sound. The political change in Hungary prevents yet another boosting of the monopolies by government favours. Given the unparalleled devastation of stocks of durable consumption goods, which have to be replaced urgently; and given the low output capacity of the country, it would be foolish to hope that the main brunt of reconstruction can be borne by private voluntary saving, even though I am confident that a considerable amount of hoarded wealth will make its appearance once the present political and confidence-crisis is overcome. I am convinced that only a fairly rigid planned economy and enforced saving, directed by the State, can assure the needed equitable distribution of the national income and at the same time provide the volume of savings required. This is a fortiori the case in the coming period in which Hungary has to pay reparations.

A limited programme of nationalisation has been worked out by the Government and accepted by the main parties. Unfortunately it is as yet not apparent that the Government is fully aware of the complexity of the problem which it has shouldered. Nor has sufficient attention been paid to the solution of the economic questions involved. The present hyper-inflation masks most of these problems, as it is only too easy to take recourse to the printing press. Consequently valuable and scarce materials are wasted and the distribution of the scanty supplies available remains extremely unjust and unequal.

In order to master these problems a drastic reform of the Civil Service is unavoidable. This certainly will be one of the most difficult problems which have to be tackled. The Left Wing parties insist, and not without justification, that their representatives must be given a place in the state administrative machine, because they fear that the bureaucracy of the old regime might overbear the ministers. But it was not found possible to provide the state administration with sufficiently skilled and trained administrators. Consequently impressive programmes cannot be put into effect and the handling of the difficult monetary position shows a regrettable and at times inexpert vacillation. Contradictory policies are pursued at one and the same time, and measures are put through the secondary effects of which have neither been studied nor comprehended.

I am convinced that all attempts at final stabilisation will break down unless expert advice of sufficient authority and power can be put at

the disposal..../

nominated

the disposal of the Hungarian Government. I am well aware of the difficulty of this proposal, as experts by the Western Powers during the interval period have been far too narrowly financial in outlook and pursued orthodox policies, which resulted in the aggravation of the crisis of 1929 and the rise of Fascist regimes in Europe. It is, moreover, a basic condition of success that the experts nominated by the Western Powers should comprehend the need for a close cooperation of Hungary with Russia. The German market has been destroyed and the agricultural export capacity of Hungary has been seriously weakened. Hungary can base her international economic intercourse in the next five years on the export of manufactures only, and is, therefore, driven to an intimate economic relationship with Russia and the South-East of Europe and the Near and Middle East. The internal requirements, moreover, demand a continuous intervention and leadership on the part of the State. The dispatch of experts animated by "laissez faire" liberalism would certainly do more harm than good.

CONCLUSIONS.

1. The present limited relief-programme of UNRRA, amounting only to 4 million dollars, cannot provide a basis for the stabilisation of the Hungarian economy or currency system. It will at best enable the Government to continue to honour the present wholly insufficient rations. I would not deny that this is of the utmost importance, but certainly is not sufficient. The extreme impoverishment of the country, due to the hostilities and reparations, has produced a situation of distress which calls for remedial action. Programmes of relief, which might be sponsored by private voluntary societies or the Red Cross, might enable to relieve special distress and enable the improvement of the public health, which is at present distressingly bad, but can do no more.

2. I believe that the need for a further limited UNRRA programme has been established beyond any possible doubt.

Without such further relief programme the present hyper-inflation cannot be stopped and dangerous political developments cannot be avoided. Even if the partial crop-failure, which must now be feared on account of the exceptionally severe drought, will be avoided as a result of heavy rain in May, the general food position of the non-agricultural part of the population will remain precarious to the extreme. As long as no industrial products are available, agricultural collection will be incomplete. The present demand (especially reparations) on the productive capacity of the country does not permit the release of any appreciable quantities of consumer's goods to the public. It must be borne in mind that the stocks (very considerable in 1944) of durable and semi-durable consumption goods in the hands of the urban population are exhausted, or near exhaustion. Without help the position in the cities next winter will still be desperate. On the other hand, a well-timed rehabilitation programme might well release considerable surpluses for the feeding of neighbouring countries.

3. This second programme of UNRRA help should consist of supplies for industrial and agricultural rehabilitation. It should comprise on the one hand agricultural machines, breeding-stocks, seeds and fertilisers. On the other hand it will be necessary to furnish timber, heavy-chemical raw materials, leather and tanning goods, wool, iron and steel, and certain machines and spare parts. I confidently expect that if a limited programme of this type is initiated, Hungary will be able in a short time to double industrial output and thus stand on her own feet, or even provide certain supplies for UNRRA programmes in other parts of Europe.

4. No programme of relief to Hungary can be of any use, if it is not part of a balanced solution.../

of a balanced solution of the main outstanding Hungarian problems. Such solution must comprise:-

(a) The solution of the problem of reparations and of the maintenance of the Red Army. The Moscow conversations have already resulted in a promise to reduce the size of the army of occupation to below 100,000. If this figure is in fact attained, the problem of the occupation costs will no longer be able to disturb the stability of the Hungarian economy.

Russia has further extended the period of paying reparation from 6 to 8 years. This concession, while welcome, is not sufficient. If the Russians were to insist on 8 equal yearly payments, and if the penalty clause were not changed, Hungary would still become increasingly indebted to the Soviet Union. A limitation of the reparation payments to a maximum of 10 million dollars in the current, 15 million dollars in the second, 20 million dollars in the third year, is a condition of Hungarian stabilisation. It is equally necessary to revise the terms of trade arrived at in the commercial treaties with neighbouring countries to accord more nearly with the terms ruling in the world markets.

(b) It is equally imperative that the Hungarian goods, and more especially transport material, locomotives, waggons, motor cars and ships and special machinery, dismantled and evacuated by the Germans, should be returned by the American and British occupation authorities in Austria and Germany. The Hungarian iron and steel engineering industry cannot possibly replace this material, the retention of which can hardly be justified by reference to the normal usages of war. Its cession to Austria has no moral basis.

5. A balanced solution of the economic problem also presupposes certain energetic internal measures.

A better balance in the budget will have to be obtained, which should not be impossible, if the external burden is suitably adjusted and the financial administration is reshaped by experts. Taxes on luxury consumption should be introduced and the income taxation reformed.

It will also be necessary to establish a feeling of certainty and security in agriculture and industry. A large part of industry will have to be nationalised and financed through the Budget. But it is imperative that in the non-nationalised sector, entrepreneurs be permitted to work without constant interference and intimidation.

While a juster distribution of the national real income must be secured by strict rationing and a suitable wage-policy, it will be necessary to end the present wage-induced inflation and reestablish discipline in the workshops.

6. It must be seriously doubted whether such internal measures and reforms can be put into effect without foreign supervision or advice. It seems imperative, therefore, that an Allied Economic Commission, consisting of experts, possibly under UNRRA auspices, in which all Allies are represented, should be established on the one hand to supervise the execution both of a relief programme and internal reforms and to advise the Allied Governments currently on the position.

It would be desirable that the consent of the Russian Government be sought in the first instance, as its help and consent is the first requirement for success. The coming peace conference may conceivably

provide...../

provide a suitable opportunity to raise this question and prepare a solution, on which the avoidance of so much further distress depends.

Yours sincerely,

T. BALOGH.

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United Nations Relief and Rehabilitation Administration,

Budapest. April 30th, 1946.

Dr. William G. Welk,
Economic Adviser,
UNRRA European Regional Office,
London.



My dear Bill,

May I send you the second part of my preliminary impressions.

2. The inflation of State expenditure.

The ultimate cause of the limitless monetary inflation does not, of course, lie on the side of goods and services. It is due in the complete disequilibrium in the State Budget, which in its turn must be explained on the one hand by the excessive demands for reparations, occupation costs and reconstruction relative to the slender resources of the country and, on the other hand, by the almost complete breakdown in the financial administration of the State.

A. Taxation.

We might deal with this second problem first in order to get it out of the way. In the last few months the ordinary revenues of the State only covered some 12-15% of the expenditure. This is already some improvement over last year, when less than 10% was covered. It can be said generally, however, that the State cannot obtain revenue from the provinces; such payments as are obtained are mainly derived from the capital.

The system of direct taxation has almost completely broken down. Taxes on wage and salary income are deducted at source. But as real income is only a portion of normal (and, as we shall see, the income of wage earners is made up in considerable part by non-taxable living allowance) this source is insufficient. Other incomes largely escape taxation.

Indirect taxation has also broken down because of the prevalence of "free markets" and barter. There are no special taxes on luxury consumption, the sole means of extracting money according to the capacity to pay (with the exception of taxes levied in proportion to the house-rent paid).

A complete reorganisation of the financial system is overdue.

B. Expenditure.

So far as the budgetary expenditure is concerned, available information is as yet rather scanty. Roughly speaking 40% of the state expenditure arises out of international obligations (reparation, maintenance of the army of occupation, Allied Control Commission).⁷ The rest is explained, apart

from the normal..../

⁷ At times this proportion has risen to 50%.

from the normal expenditure of the State, first by the outlay due to the sale of food-stuffs at reduced prices; secondly, by the deficit of the state enterprises; thirdly, by the cost of reconstruction.

(i) Reparations.

In theory the State ought to have spent something between 3-400 million Pengös on reparations, 200 millions on the army of occupation and perhaps 50 millions for the cost of the Control Commission. In actual fact this proved to be impossible, for it would have meant that, out of a national income which can hardly be above 2,400 millions, almost 1,000 millions would have been absorbed by the State, leaving the Community with some 1,400 millions, i.e. less than 150 Pengös per head per year (all these sums are stated in pre-war Pengös, which might be converted into dollars at 5.13 Pengös to one dollar). Even if we admit that large parts of the real national income which appear in Western countries as money sums cannot be statistically traced in Hungary, it still remains obvious that a money income per head of some \$140 or 150 a year is impracticable.

In point of fact, the attempt to absorb such a large proportion of the national resources by the State has led to the explosive inflation which we witness. The depreciation of the Pengö, which resulted from this, has made it impossible for the State to obtain command over more goods and services than roughly 300 million pre-war Pengös, i.e. somewhat more than 11% of the estimated national income. Even this reduces the income available to the individual to just above 250 Pengös per head per year, or only 2/3 of the pre-war national real income. If we take into account the fact that part of the requisition by the occupation army is not effected through the State, but directly, and that a considerable proportion of the stock of consumer's durable and semi-durable goods has been destroyed or lost during and after the war (clothing, furniture etc.), one would not go far wrong in assuming that the national real income per head has been halved. The dispersion of the losses is most unequal. The rural population has maintained its food-standard far above that level, while the city population has not been reduced by that proportion so far as housing is concerned.

The effect, therefore, has been that Hungary has defaulted upon a larger part of the reparations, and at the same time it has reduced the remuneration of the civil servants to somewhere below 1/4 of the pre-war standard. The problem of Hungarian recovery in the main depends therefore on whether a moratorium can be obtained on reparations and on whether the army of occupation can be reduced to a bearable proportion of the total population, say between 50-150,000 instead of 4-500,000 as at the present.

In this respect certain promises have been made to the Government by the Soviet in Moscow. The annual reparation-liability has also been reduced by increasing the period of payment from 6 to 8 years. These general promises have yet to be implemented by a more precise agreement, which will be elaborated at or after the Peace Conference. It is possible therefore (if the Western Allies concur and if a reasonable internal atmosphere can be established) to hope for a realistic adjustment of the schedule of reparations. If, instead of demanding 8 equal instalments, Russia is satisfied with smaller sums as long as Hungary's capacity of payment remains low and increased reparation deliveries only as and when Hungary's economic system is rehabilitated, a basis can be found for a general stabilisation. Certain other questions must also be tackled.

The Armistice Agreement provided for a penalty in case of delay in delivery of 5% per month. This has already resulted in such increases in the Hungarian liability that it stands at a higher figure than at the

beginning..../

beginning, in spite of the supply to the Russians of goods worth up to 12 million dollars (a large part of these deliveries has not been credited to Hungary by the Russians, as according to the terms of the Armistice only deliveries which arrive in Russia and are accepted by the Russian Government are to be credited to Hungary). Taking into account that up to 60% of the reparation liability is not fulfilled, there is a grave danger that the Hungarian liability will cumulatively increase, unless a new arrangement can be reached.⁷

(ii) The maintenance of the Army of Occupation.

A further factor responsible for the inflation, though of decreasing importance, is the liability to maintain the Red Army. This was at its maximum at the beginning of last year, when the armies in Hungary were of the order of magnitude of 4 million. On the basis of paragraph 11 of the Armistice Agreement the Red Army then requisitioned a large part of the Hungarian industry and also requisitioned agricultural produce and livestock. Up to 2 million tons of grains were secured. Apart, moreover, from officially stated requirements, local units or individual soldiers also commandeered substantial stocks of commodities, etc. Reports current in this country are no doubt hugely exaggerated. A substantial part of the looting which occurred during and after the liberation, has been committed by lawless elements of the population itself. But a substantial strain has been exercised by these requisitions and the lawful cost of the occupation can still be put at some 100-120 million pre-war Pengös. Of this about a half appears in the Budget. The rest remains unpaid and will now be paid in bonds labelled in terms of wheat. The decrease from the previous 200 million Pengös is explained by the Russian acquiescence in the stoppage of food-deliveries to the Army after December 1945 (apart from some delayed deliveries) due to the threatening situation.

(iii) Reconstruction.

A third considerable source of strain on the Budget and on the economy is represented by the needs of reconstruction. If one compares Budapest with Vienna and reflects upon the enormously greater damage done to Budapest, one begins to realise the extent to which the Government, for all its mistakes and impotency, has already succeeded in carrying through the task of reconstruction. At any rate in the first stages, it was helped in this by the inflation which energized the economic system and successfully drew out such stocks of raw materials and semi-finished products as were still available in the country, despite the looting, losses, war-damage and so on.

To take a few sets of figures only: in the case of railways, 92.6% of bridges over 50 metres long have been destroyed, 34% of the permanent way was put out of action. 87% of the bridges and aqueducts have been made usable and 90% of the track has been restored. A permanent bridge has been built over the Danube and the railroad bridge restored. An equally tremendous work of restoration has been done to damaged buildings. Well over half of all damaged (not, of course, of the destroyed) houses in Budapest have been repaired. It should be added, of course, that Budapest was left with more slightly damaged than destroyed houses, as the fighting did not involve heavy bombing and heavy artillery.

Industry and commerce.../

⁷ The Government hopes, with some justification, that the Soviet will agree to a cancellation of the penalty arising out of the default in 1945. This will mean, in effect, that the non-delivered part of reparations will be spread over seven years.

Industry and commerce have equally done a remarkable job. They are no longer limited primarily by a deficient or damaged productive capacity, but by the lack of raw materials and coal. This fact alone is a testimony to the energy of the entrepreneurial classes in a situation of unparalleled political difficulty and pressure. It is to be feared, however, that the inflationary mechanism is losing its stimulating power and a certain deflationary impact is already making itself felt. The entrepreneurs begin to be unwilling to risk their own capital, partly because of the complete uncertainty about the movement of relative prices (the variation in relative prices is remarkable) partly on account of political reasons, the desperate distrust in the future (c.f. below).

(iv) Lack of experience.

The lack of experience on the part of decisive personalities in the Government has unquestionably aggravated matters. Each of the special departments are straining to get more and more appropriations, the sum of which far exceeds the capacity of the country to restore its economic system. To quote only two examples: the Minister for Communications demanded a 20 million Pengö credit to restore bridges. The Ganz Company, which is one of Hungary's biggest engineering works, would have to obtain some 30 million Pengös worth of machinery, building, etc., to be able to deliver the goods promised by the Government to Russia. This again is impossible. The investment capacity of the country can hardly be put higher than 100 million Pengös (all pre-war) if reparations are paid at the present low rate. The special difficulty of the engineering industry can be best illustrated by recalling that the total capacity of the steel industry, working as it is at 30% of its pre-war potential, hardly exceeds 150 millions, whereas the reparation liability in these products for the current year is above that level. Other similar examples could be quoted.

It should have become obvious to everybody, that any attempt to exact such quantities from an impoverished economic system would lead to a cumulative and explosive inflationary situation. I am convinced that this was known to many and that the policy actually followed can only be explained by the political unwillingness to face the impossibility of paying reparations while maintaining Hungarian economic life at a more or less tolerable level.

3. The consequences. Wage-induced inflation.

The main victims of the process are, of course, the middle classes, whose real income has shrunk to a fraction of their pre-war revenue. Those who do not belong actively to big organisations or institutions where they can obtain some food-stuffs and at times even clothes are reduced to living on the sales of their accumulated real goods from jewellery to clothes and furniture etc. Those who have had the misfortune to lose such assets are literally starving, and they represent a dangerous nucleus for political and economic discontent within the new dispensation.

Up till the summer, the situation of the wage-earner was also extremely unfavourable, though since then, under the pressure of the Trade Union workers, wages have been rising and at times, since January, faster than prices. A wage-induced inflation has been added to that caused by the Budget deficit. The workers now receive their wages in two parts. Wages are settled by collective agreements on an index-basis. To this is added the equivalent of their theoretical physiological needs, i.e. it includes family allowances. This part in principle should be paid in kind. If the employers are unable to pay in kind, they are permitted to pay a sum of money which is fixed every week. This part has at times reached up to 80% of the total remuneration. It is now about half. It is a flat rate irrespective of the effort and efficiency of the worker. Hence the material

incentive for..../

incentive for higher production is removed. Labour discipline is in any case rather low and the political troubles between workers and management (partly justified by the collaborationist attitude of the latter) cannot fail to have an unfavourable influence on total production. The output per head in those industries in which a close check is possible, such as coal, is roughly 1/2 of pre-war. In others it is said to be even lower.

There can be no doubt, that this measure has succeeded in increasing the share of labour in total output. Whereas in January wages did not amount to more than about some 3% of pre-war, they have been varying lately at about 20%. In the long run only the introduction of a planned economy and a conscious squeezing of the profit-margin can provide a satisfactory re-distribution of the national income. For the moment, however, the dissipation of circulating capital permits increases in real wages. It is to be doubted whether this will continue for long.

In point of fact there are serious contradictions in Government policy in this respect. Certain Government Departments take a large part of the output of industrial enterprises for reparations and priority distribution at low prices and permit the industries to recoup themselves by selling the rest on the free market. But prices are consequently so high in the latter as to render sales difficult, and the extraordinary phenomenon can be observed of companies being divested of liquid resources in the midst of an unparalleled inflation. This has been demonstrated in the crudest form in the case of the finance of foreign trade, especially the finance of the barter-agreements with Russia. Russia has sent considerable quantities of raw materials, a large part of which could not be taken over by industry owing to lack of liquid resources. Nor were the entrepreneurs eager to enter into export contracts. The Government has now provided finance - out of further central bank credits - and has consented to pay excessive profit margins on exports, while also undertaking to bear all risks. This adds to the inflationary pressure.

The rise in prices is so fast that the real value of the bank-note circulation has shrunk to a few million dollars. But it is to be feared that even the Communists will want to experiment with a form of orthodox monetary stabilisation instead of trying to establish an island of stability by reorganising distribution on the basis of a strict rationing system and limiting themselves on the monetary side to a freezing of the excess purchasing power. They are said to toy with the idea of a new currency without previously attempting to provide the basis for stability. In this they are encouraged by the example of the Russian experiments (the tschervonetz).

Without first changing the basic situation any such attempt is doomed to failure. The only consequence of an essay at monetary stabilisation without economic readjustment would be a further inflation of the new currency. In point of fact something of the kind has already occurred and will certainly occur if the Government insists on their present plans. In January of this year (and together with the introduction of the calory payment of wages and salaries) the Government also introduced an index-number to measure the depreciation of the Pengö, so as to be able to budget and to give a unit of account to the economic system. This index-number unit was named the Tax-Pengö and both deposits and contracts could be made in its terms. As reparations, etc. which burden the budget cannot be reduced, this method of accounting must either result in the depreciation of the index-number, i.e. a faster rise in actual prices than in those prices on which the index is based, or alternately in a breakdown of money payments, as prices rise faster than actual cash payments can be made.

So far as one can make out, both happened. The Tax-Pengö is lagging

behind.../

behind the rise in prices. On the other hand, the Government was forced last week to default on certain payments, especially on payments for deliveries on account of reparations, which in turn induced the banks to default on their payments. This occurrence cannot be dealt with by increasing the rate at which Pengös are printed, because the more Pengös are printed, the higher the prices and the higher the rate of the Tax-Pengö. Thus inflation cannot catch up on itself for the obvious reason that, if the Government wishes to dispose of more goods than are in fact available, it must fail in its attempt.

Conclusion.

From a purely economic point of view, the Hungarian problem is easily amenable to solution. The elements of the solution must rest on the platitude that the demands of the State on the productive system must be limited to a level which that system can bear. This involves, first, a reduction of the effective burden of the reparations liability, including the maintenance of the Red Army, by a complete moratorium, or by a foreign loan, or a mixture of the two. Secondly, it involves a reorganisation of the administrative machine and ruthless measures to make the rationing system effective. Thirdly, it involves a restoration of labour discipline, which partly depends on the success with which the problem of feeding the workers has been solved. The present wage-induced inflation must also be stopped, and a redistribution of workers between different branches of industry in accordance with current needs and irrespective of the historical situation would also have to be undertaken forthwith. Finally (and unless the introduction of a completely socialised system is contemplated, and no one contemplates it at the moment, at least openly), a certain measure of confidence will have to be reestablished in those sectors of the economic system in which private enterprise is to be retained. The present chaos, which deprives the country of the benefits of a completely free and of a completely planned system, and combines the defects of both, cannot be tolerated if economic catastrophe is to be avoided.

Yours sincerely,

T. BALOGH.

INDEXED

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Confidential

(10)

United Nations Relief and Rehabilitation Administration,

Budapest, April 25, 1946.

Dr. William G. Welk,
Economic Adviser,
UNRRA European Regional Office,
London.



My dear Bill,

First Impressions on the position
in Hungary in the spring of 1946.

I shall transmit to you in three parts my informal appreciation of the Hungarian position.

- 1) The general background and the problem of inflation analysed from the point of view of supply.
- 2) The problem of the inflation of state demand.
- 3) The problem of the general political stability.

I hope to write my final report in London because the gathering of the material and the checking of its accuracy will fully occupy me here quite apart from my duties in connection with the work of the Mission.

THE BACKGROUND

I have never encountered a position so full of so many, so complex and so complete contrasts, as is presented by the Hungarian situation at the moment. The bewilderment of the onlooker, however well he knew the country in the past, is heightened by the distrust which the conflicting and almost always extreme opinions of the people he meets must necessarily evoke.

At one and the same time we see a monetary disintegration, which puts the German hyper-inflation in the shade; yet there are indubitably signs of vigorous reconstruction, signs, the complete absence of which was so depressing in the American-occupied part of Germany and, even more, in Austria. Everybody with some social conscience must be shocked at the co-existence of luxury and poverty in its most extreme form, which can be encountered in postwar Europe. Infant-mortality at times reached 50% p.a. People are literally starving and starvation begins to engulf even parts of the old ruling classes. There is at the same time an abundance of such food and luxury articles as could not be produced in England at the present time. This special aspect of the position exercises a fatal and regrettable fascination for large parts of the foreign missions and contributes to the warping of their judgement on the outlook and needs of the country. This is in any case gravely prejudiced by their dislike of the Russians, which, in its turn, is mainly due to the fact that they are in contact only with those parts of the population whose position and influence has either been completely destroyed, or at least gravely harmed, by the revolution brought about by the collapse of Nazism in Hungary. Quite apart from the fact, that it would be more

than desirable..../

than desirable to have much stronger teams at the disposal of the Western Democracies in this strategically important post, one feels the need for having people here, who even if capable of being firm, show some understanding of the Russian problems and would be willing, if the Russians in their turn make it possible, to push through a policy of honest collaboration. The continuous friction at the periphery, which I have witnessed both in Vienna and here, must so poison the atmosphere at the higher levels of policy-making, as to render the likelihood of a constructive policy extremely remote. There are enough incomprehensible and brutally clumsy elements in Russian policy to cause trouble even if their intentions and policies are not continuously and intentionally interpreted in the worst possible light and thus suspicion aroused, when some pliancy might permit a workable compromise.

I. The problem of inflation.

The extent and speed of the inflation passed all bounds in the last few weeks. Prices have been doubling twice a week. The dollar, which stood at between 29-30 million Pengös when I arrived, could be sold this morning at 135 millions. At the same time the stimulating effect of inflation has begun to vanish.

The dollar-value of the note-circulation is dwindling: it has fallen from roughly \$ 10 millions to \$ 2 millions. In certain sectors of the economy a deflationary pressure seems to exist, due to the inability of people to buy goods which are not absolutely necessary to the sustenance of life, and to some extent also due to the prevailing feeling of uncertainty about the future among the old ruling classes, which limits investment.

At the same time there can be no doubt that the budgetary inflation, bad as it is, is aggravated by a wage-induced inflation, owing to the strength of the Trade Unions and their desperate attempts to squeeze something for their membership out of the steadily shrinking supply of certain basic food-stuffs.

This cannot be remedied until the new harvest.

Hungary's national income in 1938/39 amounted to some 5,200 million pre-war Pengös ⁷, or roughly a 1000 million dollars. Out of this the output of material goods might be estimated at perhaps 4,500 millions at market prices. Of these perhaps 2,000 millions was food and the rest other commodities. The output of agriculture in terms of value has shrunk by almost 60%. (In terms of calories the decrease was much less, as it was the high-priced commodities whose production sustained the most considerable loss, e.g. almost 70% of the animal stock has been lost.) The output of industry is down to 30%. Handicraft on the other hand remained at almost 70%. Total non-food products are estimated to have decreased by 52%. The Institute of Economic Research believes that the current national income might at best be put at 2,400 million pre-war Pengös. Other experts believe that guess too high. It is difficult to come to any considered judgement. A considerable fraction of the total supplies available pass through the black-market and are therefore statistically difficult to catch. An estimate of say 2,600 million 1938 Pengös seems to me the highest compatible with such

facts as are..../

⁷ All money sums are stated in terms of pre-war (1938) Pengös.

facts as are available at the present time.

The problem of shrinking supply.

1. Agriculture.

The catastrophic shrinkage in agricultural production is due to a great number of causes.

(i) The autumn sowing was impeded in large areas of the country by the fluctuating hostilities. According to official reports, the output of wheat decreased by 76.6%; that of rye by 63.2%. These figures are subject to some doubt, as the administration for the collection of agricultural produce was destroyed by the collapse of the Nazi government in Hungary and could not be rebuilt in time by the new regime. Consequently, as the crop was not requisitioned on the spot, wheat and rye could be hoarded more easily than other, bulkier, commodities. According to official reports, for instance, the output of maize fell only from 2.59 million tons to 2.06 millions, and that of potatoes from 2.32 million tons to 2.06 million tons. But even if we estimate the output of wheat and rye together at about 1.2 million tons instead of the 0.91 millions officially stated, there is little alteration in a desperate position. Even on the basis of my estimate only 0.5 million tons of bread-grain would be available to non-farmers, that is, if the farmers did not hoard. Owing partly to the breakdown of the administrative machine and the total lack of industrial products, this position cannot be alleviated.

(ii) The agricultural disorganisation is further aggravated by the lack of fertilizers, due partly to the almost total lack of animal motor-tractive power. The livestock has been reduced to between 30-40% of pre-war. Hungary, far from being a large exporter of bread-grains, will have to import before the harvest.

(iii) The agricultural reform, which declared the total expropriation of all land-owners holding over a thousand acres and the distribution of all but a hundred acres of all other properties, has not, in my opinion, had an appreciable share in causing this catastrophe. If we take into account the fact that large proprietors are now dependent on motor-tractive power and are less able than smaller land-holders to mobilize irregular manpower to perform a job, it seems probable that without the agricultural reform the area seeded would have been even smaller. This of course does not contain any comfort for the future. Small land-holdings, according to all available expert advice, are notoriously wasteful of animal or other tractive power and incapable of using more modern methods of production, i.e. choosing seeds and animal strains.

The agricultural reform was decided upon primarily as a war measure. The decree was issued from Debrecen early in 1945 and land was promised to all those who would return to their village. It was hoped that the Hungarian satellite army of the Nazis would thereby be disrupted. These hopes were not altogether fulfilled. On the other hand the restriction of the distribution of land to people of the same village had a further serious effect. Hungary is very unevenly populated and landless workers predominate in the more arid area of the Tisza and Körös. Consequently a certain lack of population is felt in the Trans-Danubian area, where large land-holdings predominated. Hence resistance to demands by the Russians to hand land over to them for the maintenance of the Red Army was considerably weakened. Yet the problem of over-population was not solved in other parts of the country, especially those inhabited by Germans who

are being..../

are being expelled. The central administration, moreover, broke down, and much unauthorised land-grabbing is reported.

The uneasy relationship between the Left and the Right will make a rational solution of the problem more than difficult. It would seem obvious to the objective observer, that such a solution could only come by the State retaining a large number of farms in order to institute a development and educational programme in all parts of the country. At the same time it would be more than important to reorganise and rationalise land holding. Strips of land in one ownership are now uneconomically scattered. At the same time small landholdings, which are at present the only important type of unit, ought to be combined in economically workable large units, capable of efficient production. This could be done either through organising producers' cooperatives or through grouping the holdings together as common property with share-participation (similar to the system adopted in Russia). Both solutions will be hotly opposed by the peasant, who already distrusts the permanence of the land-reform and thinks that he will have to relinquish his newly-acquired holdings in favour of the old owners. This feeling of uncertainty and distrust is yet another factor in the decline in productive intensity.

The Government has tried to ensure the proper use of the scanty mechanical and animal tractive power, but was not able to enforce its decrees fully - in some parts of the country hardly at all. New decrees have now been published to intensify crop collection. An increasing proportion of the product has to be delivered as the size of the holding increases. Some action has been taken to import seed, and further action is contemplated to improve the animal stock. But, as I say, it is questionable whether these decrees can be currently enforced in the teeth of the determined opposition and distrust of the peasant.

2. Industry.

It is one of the most tragic aspects of the present Hungarian position, that the country has been reduced in so formidably short a time from a state of comparative affluence to complete penury. The affluence was to a large extent due to the conscious sabotage by all wartime Governments, prior to the occupation of the country by Germany, of the German war-effort. Some Governments dared more in this respect, some less. But it might be generally said that the Germans did not benefit to anything like the full extent from the Hungarian productive potential. Indeed in this respect Hungary did better than most occupied Allied countries.

(i) One of the causes of the present complete loss of command over the economic system, as will be mentioned below, is that Hungary never had a war-economy, in the sense of the word, familiar to those who have lived in England during hostilities. That is not to say that Hungary did not largely expand productive capacity, especially in the war industries. They certainly did, particularly in the preliminary phases of the war, say up to the middle of 1942, and by using German help to a considerable extent. A large part of the output, however, was secreted in one way or another and used to build up considerable reserves of machines, finished- and semi-manufactured products, as well as raw materials. It may be said without much fear of contradiction that the Hungarian economic system was hardly ever better employed, while agriculture benefitted from the relative improvement in its prices compared with those of industrial products.

(ii)..../

(ii) In the short period between March 17th, 1944, and the siege of Vienna in April, 1945, Hungary experienced a loss of material which can hardly be paralleled in modern history. The first phase of the catastrophe consisted in the so-called "evacuation" by Germany of productive capacity, transport-material and a considerable amount of products at all stages of manufacture. It is roughly estimated that well over 60% of the motor cars, 80% of the ships and somewhat more than half of the rolling stock of the railroads disappeared into Austria and Bavaria. The amount of machines removed cannot be estimated. It is said to reach 7-9,000 waggons. A large part of the capacity of the biggest engineering works, optical works, textile factories, etc. has been removed, and are now to be found at different stages of decay, some well-preserved in factories doing nominal work, some resting in barges and at wayside stations between Hungary and the Rhine. To this has to be added huge numbers of cattle and other livestock, unfortunately comprising the best breeding material in the country.

The parties of the extreme Left, presumably in an endeavour to blame entirely the Nazis for the present economic predicament of the country, have published estimates varying between 17-27,000 million pre-war Pengös. In actual fact the loss might be estimated at between 3 and 4,000 million pre-war Pengös, i.e. at about 800 million dollars. The crippling effect of the removals, however, is not adequately expressed by this figure, for the Germans have tried systematically to paralyse certain industries by removing vital parts.

(iii) The second catastrophe befell the country through bombing and fighting. In certain parts of Budapest this has been rather serious and the textile-crisis which is now causing much trouble is to some extent due to this factor.

(iv) Finally the Russians, on the basis of paragraph 11 of the Armistice, commandeered and in certain instances removed factories and other equipment, or declared parts of the Hungarian capital-stock war booty. The industrial loss arising from these measures alone has been put at some 150-170 million dollars. It must be remarked, however, that the consequence for the Hungarian economy and the cost of replacement far exceeds Russia's gain, not merely because of the losses sustained during transportation and the deterioration of the material, but also because of the huge burden of dismantling and re-installing the machinery.

(v) A further loss has been sustained and will be increased by current deliveries of existing factories on reparation account. The relevant schedule calls for the dismantling of (A) 15 big factories and 43 main-items. The value of these is put at 9.9 million dollars. In point of fact the cost to Hungary of dismounting and replacement is estimated at well over \$30 millions. To these has to be added the cost of packing, dispatch and installation. I should be surprised if Hungary were able to replace the lost capacity and pay for the removal of the old capacity under 40 million dollars.

Nevertheless, if fancy conceptions of war damage, which would include the loss of revenue during the war arising out of German action, etc., are rejected, one may still estimate the total Hungarian loss at 1/3 of the capital of the total national wealth. Such an abrupt lowering of the productive capacity of the nation had to have a catastrophic influence on the standard of living. It has been accentuated by the breakdown of foreign trade, the loss of circulating capital and

by the decrease..../

by the decrease in the productivity of labour, due to insufficient feeding on the one hand, and of weakening discipline, due to troubles connected with the social and political change.

There is a continual series of bottlenecks, one narrower than the next, which prevent the use of existing productive capacity above 30% of 1938. The most acute of these is coal; the output is about half of the pre-war level. Imports have shrunk to a negligible proportion and are exclusively used by gas-works and for a partial re-starting of the steel furnaces. If this bottleneck could be broken, the productive effect of the engineering industry might be doubled, provided other raw materials were available. The lack of machines does not prevent an increase in production, except in certain special circumstances, though large parts of the equipment is worn. The ultimate bottleneck is labour, which will prevent an expansion above pre-war for a long time to come, unless the agricultural reform will not prevent a reduction of the relative rural over-population.

Hungarian industry has always had a surplus capacity and the developments since the end of the war need not have in principle reduced the output to the low levels now experienced, apart from those special factors which have been enumerated. There is a strong case for a limited import programme of industrial rehabilitation material, both machines and raw material, to start Hungary on the road to recovery.

I shall continue my report.

Yours sincerely,

T. BALOGH.

OUT FILE

9

OUTGOING CABLE

DG 25/12

ORIGINATED BY: OFFICE OF
GENERAL COUNSEL, DIV:
MR. K. A. ATKIN.

LONDON TO BUDAPEST.

No. 16

DATED. 25th April 1946
D. 18.43 hours.

(EN CLAIR)

1. Exchange of letters between Director General and Hungarian Minister Washington of 31st January and 13th February should be submitted to Allied Control Commission in order to obtain formal approval of commitments undertaken by Hungarian Government.
2. You should also ask Allied Control Commission for assurances enabling UNRRA and the Hungarian Government to carry out the UNRRA programme. Preferable that these assurances be obtained in writing but if Allied Control Commission seems co-operative will leave it to your discretion whether or not you should press for written assurances on this point but matter must be brought to attention of Commission.

MY/BKQ



INDEXED
ACTION COPY

04 25/12.
DESPATCHED FROM CABLE SECTION
TIME 10:30 HRS.
DATE 2/4 1946

INCOMING CABLE.

DG

ACTION: Dept. Office of the
General Counsel.
Mr. Dudley Ward.

WASHINGTON.....TO.....LONDON

No. 4822
En Clair

DATED: 23rd April, 1946.
RECD: 20.20 hours.
23rd April, 1946.

DC.
For Ward from Schachter.

Your 4843.

1. I agree A.C.C. should be requested formally approve exchange of letters with Hungarian Government.

2. Suggest leaving to discretion Mission Chief whether necessary to obtain formal written assurances from A.C.C. regarding execution UNRRA program. If A.C.C. cooperative, I incline not pressing for written assurances.

DG/AB



Nash

Hungary
0426/12
2020/23
TC

TR94 52 SHR 23 APRIL 217P

4822

FOR WARD FROM SCHACHTER
YOUR 4843

23 APR 1946



- 1 I AGREE ACC SHOULD BE REQUESTED FORMALLY APPROVE EXCHANGE
OF LETTERS WITH HUNGARIAN CXX GOVERNMENT
- 2 SUGGEST LEAVING TO DISCRETION MISSION CHIEF WHETHER
NECESSARY TO OBTAIN FORML WRITTEN ASSURANCES FROM ACC REGARDING
EXECUTION UNRRA PROGRAM IF ACC COOPERATIVE I INCLINE NOT PRESSING
FOR WRITTEN ASSURANCES

219P

Mr Dupley Ward.
URGENT & IMPORTANT

ADVANCE ACTION COPY - UNCHECKED

B.G.

(7)

Be file
Hungary
per 2/24

S

INCOMING CABLE

ACTION: S. Dept.,
C.O.S.

BUDAPEST.....TO.....LONDON

No. 26
Repeated to
Washington 17

D. 21st. April, 1946
R. 22nd April, 1946
10.45 hrs.



1. In discussions re unallocated funds Hungarian appropriation (approximately dol. 2,000,000) government strongly urges expenditure 50% fats, 25% bread grain, 25% sugar.
2. Government bases request on desperate food position of country, No meat repeat no meat, no fat repeat no fat, no sugar repeat no sugar, distributed to normal consumer.
3. Special categories receive sugar and fat in following amounts, children expectant and nursing mothers 150 grams sugar monthly and 0.1-0.3 milk. Hospitals, institutions, etc., receive higher sugar rations. Only miners specifically receive fat rations, but other industrial workers have received some fats through community kitchens.
4. Present bread rations for 4.4 million non-self suppliers follows, Normal consumer (3.2 Million) 150 grams daily, Budapest 230 grams, provincial towns manual workers 300 grams, heavy workers 400 grams, miners 700 grams. Present bread ration contains 50% maize 20% barley Budapest, 35% maize provincial towns.
5. Government claims caloric value of rationed food amounts 1,200 calories heavy workers, 950 manual workers, 650 white collar workers, 530 normal consumers, 850 children.
6. To maintain even this pitifully low ration it would be necessary to import 30,000 tons bread grains until new crop harvested (3,500 tons fats, 6,000 tons sugar. Based on government's request 50% fats, 25% sugar, 25% bread grains, breakdown would amount fats (average cost dol. 360 ton) approximately 3,000 tons bread grain (average cost wheat dol. 71 ton) 7,000 tons sugar average cost dol. 116 ton) 4,500 tons.
7. Government claims 1945 wheat rye crop 900,000 tons (of which 300,000 tons needed for seed) against average prewar 3,000,000 ton output. Mission feels governments' estimate 1945 crop almost certainly too low, however, due to economic disorganization, lack of transport, adequate administration and feeling of general insecurity full assessment impossible. Farmers hoarding aggravated by monetary chaos (in one week since our arrival Pengo has dropped from 30 million to dollar to 90 million to dollar).
8. Mission feels however, that since fat is the real basic food in Hungary with no meat whatsoever being distributed, present desperate position justifies high priority assigned by government to fats sugar and wheat. Government emphasizes fats position intolerable.
9. Government has succeeded in intensifying sowing. Almost 75% normal acreage seeded, however present drought affects crop outlook.

10. Government makes special plea that present needs be met to avoid catastrophe, and is willing to accept, if necessary, part of UNRRA supplies as a loan suggesting repayment in kind. Grain in September October, fats November December.
11. In view of the desperate situation and relatively minute tonnages, mission urges favourable consideration of these requests and shipment at the earliest possible moment, in order to make small UNRRA assistance effective.
12. Appreciate early advice in order to continue discussions.

JG/NE

~~OUT FILE~~

(6)

OUTGOING CABLE

DG 23/12

ORIGINATED BY:
OFF. OF THE GEN. COUNSEL
DIV.
MR. DUDLEY WARD.

LONDON.....TO.....WASHINGTON

No. 4843

(EN CLAIR)

DATED 19th April 1946
D. 16.30 hours

Schachter from Ward and Davidson.

With acceptance by Hungarian Government of conditions set forth in your letter of 13th February assume that we should instruct Mission Chief to obtain formal approval by the Allied Control Commission of this exchange of letters. We should also instruct Mission Chief to obtain written assurances from Allied Control Commission enabling UNRRA and the Hungarian Government to carry out UNRRA programme. Please advise.

P/SD.



UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

1344 CONNECTICUT AVENUE
WASHINGTON 25, D.C.

VIA AIR MAIL

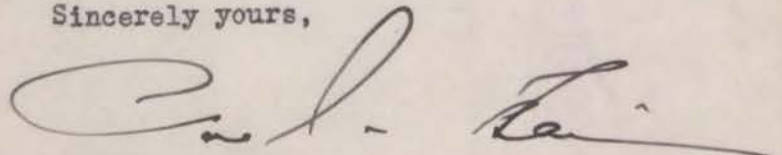
Mr. Dudley Ward
General Counsel
European Regional Office
11 Portland Place
London, W1
ENGLAND

Dear Mr. Dudley Ward:

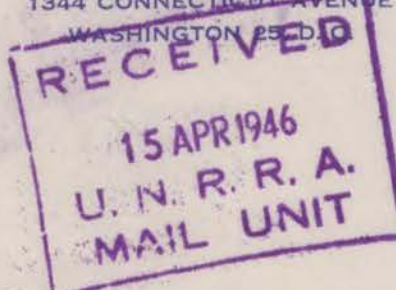
I have received your letter of 1 April 1946 and am glad to learn that the copy of a letter from the Minister of Hungary has reached you.

The travel unit of the Headquarters informed us that Mr. Sommers, Chief of Mission for Hungary left Washington on 4 March and it was not "surprising" that he was unaware of the letter of March 19." It was for this reason that a cable was sent you informing you of the receipt of the letter from the Hungarian Minister.

Sincerely yours,



Poeliu Dai
Deputy Chief of the Secretariat



INDEXED

APR 11 1946

3116



INDEXED

(2)

8th April 1946

To: Personal Representative of
Director General
Chief of Finance & Administration
Chief of Relief Services
Chief of Supply
General Counsel
Deputy Chief of Relief Services
Deputy Chief of Finance & Administration
Deputy Chief of Supply (Mr. Herbert)
Deputy Chief of Supply (Mr. Schaaf)
Director of Personnel
Deputy Director of Personnel
Director of Administrative Services
Deputy Director of Administrative
Services (Colonel Gain)
Deputy Director of Administrative
Services (Colonel Strommen)
Director of Organisation and Management
Deputy Director of Organisation and
Management

Director of Finance
Director of Accounts and Audit
Director of Health Services
Director of Welfare and Repatriation
Deputy Director of Welfare and
Repatriation (Mr. Rabinoff)
Deputy Director of Welfare and
Repatriation (Miss Radin)
Director of Supply and Procurement
Division I
Director of Supply and Procurement
Division II
S.A. to P.R.D.G. (Mr. Woodbridge)
S.A. to P.R.D.G. (Mr. Wraight)
Director of Operational Analysis
Deputy Director of Operational Analysis
Director of Information
Deputy Director of Information
Voluntary Society Liaison Unit
External Auditors' Senior Representative
Historian

From: Legal Adviser .

Subject: Emergency Assistance to Hungary

The attached letter of 19th March 1946 from the Minister of Hungary together with the Director General's letter of 13th February 1946 (which is quoted in full) constitute the Administration's agreement with the Hungarian Government for a programme of emergency assistance.

Louis C. Stephens

U.N. a 4977

COPY

March 19, 1946

No. 965/1946

My dear Governor Lehman:

On behalf of my Government, I beg to acknowledge receipt of your letter of February 13 1946, reading as follows :

"The Central Committee of UNRRA at its meeting on 5 February 1946 adopted a formal resolution authorising emergency relief assistance to Hungary, in accordance with the principles previously agreed to by the Committee and communicated to you in my letter of 31st January 1946. A copy of this resolution of the Central Committee is attached hereto for the information of your Government. Pursuant to this resolution the Administration is proceeding with immediate arrangements for the programming, procurement and shipment of supplies to Hungary at the earliest possible time.

In instituting a limited relief program for Hungary, the Administration does so with the understanding that your Government will comply with certain conditions which govern the furnishing of assistance by the Administration to all countries. First, the supplies furnished by the Administration must be used and distributed in accordance with the policies of the UNRRA Council, particularly as embodied in Resolutions 2 and 7 thereof. In accordance with our usual practice we propose to send to Hungary a mission to represent the Administration and to observe the operations of the program. We would expect the Hungarian Government to keep this mission fully informed regarding the distribution of supplies within Hungary and to afford the mission opportunity to observe such distribution at all stages. For this purpose the mission must be afforded freedom of movement and facilities to enable it to discharge its responsibilities under this program. Furthermore, it is understood that your Government will grant to the mission and to its personnel the privileges, immunities and exemptions recommended by the Council resolutions. As in all other countries, it is expected that your Government will meet all of the local currency expenses of the mission in Hungary.

I should appreciate it if you would confirm that your Government is in agreement with the terms of UNRRA assistance as contained in the resolution of the Central Committee and as stated in **this** letter."

I should like to confirm that the Hungarian Government is in agreement with the terms of UNRRA assistance, as contained in the resolution of the Central Committee and as stated in your letter cited above.

At the same time I wish to express the gratitude of the people of Hungary for the decision of the Central Committee of UNRRA to extend aid to Hungary.

I beg to remain, my dear Governor Lehman,

Sincerely yours,

s/ Minister of Hungary

The Honorable Herbert H. Lehman,
Director General,
United Nations Relief and Rehabilitation Administration
Washington, D.C.

U.N. a 4977

INDEXED

for DG Hungary
DG 25/12.

(4)

FOR INFORMATION ONLY

INCOMING CABLE

(Copies to Sir M. Creagh
Mr. Caston)

CS

ATTENTION: Dept S.
Mr. Herbert
BUDAPEST

WASHINGTON TO.....

No. 6
En Clair
Repeated ERO 3660

D. 5th April 1946
R. 5th April 1946
2020 hrs.

For Stanley Sommer

- 1) Because of great need for clothing UNRRA has sponsored National clothing collection with participation of National Educational labor Religious Social and other Groups of U.S. object of victory clothing collection to collect used clothing for distribution in liberated areas. This clothing contributed by people of U.S. with understanding it will be distributed in accordance with resolution No.2 of UNRRA Council and without cost to ultimate recipient.
- 2) One million pounds allocated for distribution Hungary.
- 3) Expenses of Baling and handling this clothing will be absorbed by UNRRA and will not be budgeted against funds set aside within UNRRA for purchase of clothing textiles and footwear for Governments.
- 4) We advised Hungarian representative Washington who informed Government.
- 5) Clothing will be shipped as soon as possible will advise
- 6) Our desire is to get contributed clothing shipped to you with utmost speed a refined sorting mending and cleaning process in U.S. would mean long delay shipment, thus clothing may not be in proper condition for distribution to ultimate recipient pressure of baling may destroy buttons and fasteners. Large proportion may need mending you should arrange at once for resorting and necessary additional processing clothing prior to distribution. Suggest you set up workshops for this purpose as other Governments are doing.
- 7) We believe everything sent can be used small percentage may be rag and remnants but these may be used as shoddy in woollen mills.
- 8) To satisfy widespread public interest in U.S. cable when distribution completed on methods apportioning contributed clothing and agencies handling. Describe also public reaction.

//IF



EX Registry

OUT FILE

DG25/12

(3)

HUNGARY

2nd April 1946.

Dear Bill,

.....

I am returning with thanks the Memorandum on the Food and Agricultural Situation in Hungary which you lent to Sommer when he called upon you. It is certainly the most objective report on Hungary that we have seen for some time, and we shall be most grateful if we could be allowed to see any further reports which reach you on the same subject.

J.R.Wraight.

Mr. W.J. Hasler
Foreign Office,
S.W.1.



Desp. no. 2638

OUT FILE



Dec. 25/12

1st April 1946.

Handwritten initials: DW.

Mr. Poeliu Dai,
Deputy Chief of the Secretariat,
U.N.R.R.A.,
1344 Connecticut Avenue,
Washington 25, D.C.

Dear Mr. Poeliu Dai,

Encl. 33A. Vol 1 (1)

I have to acknowledge and thank you on behalf of General Gale for your letter of the 25th March just received enclosing copy of a letter from the Minister of Hungary to the Director General confirming the understanding with respect to terms of UNRRA's assistance for Hungary.

Fortunately, Mr. Sommers, the Chief of Mission for Hungary, was unable to get away earlier and is leaving for Budapest tomorrow morning. ~~He~~ *with him* will, accordingly, be now able to take away a copy of the letters embodying the understanding with Hungary. Somewhat surprisingly he was unaware of this letter of March 19 when he left Headquarters.

Yours sincerely,

Handwritten signature: J. Ward

General Counsel.

DW/MKB

Handwritten notes: 3-4-46 AE



UNRA HUNGARIAN PROGRAMME

First shipments of Medical Supplies

1. From U.K.

| | |
|---|-----------------|
| Insulin | \$5,000 |
| Digitalis | 1,000 |
| Strophanthin | 500 |
| Diphtheria antitoxin and toxoid for immunisation and therapy | 2,000 |
| Rubber gloves, various sizes, bandages, gauze, absorbent cotton, compresses, sponges, adhesive plaster, plaster of paris | 8,000 |
| Needles and syringes | 1,000 |
| Catgut sutures | 500 |
| Aminopyrine | 1,000 |
| Phenacetin | 1,000 |
| Ether, $\frac{1}{4}$ or $\frac{1}{2}$ cans (lb) | 1,500 |
| Sulfadiazine | 7,500 |
| Sulfathiazole | 7,500 |
| Sulfaguanidine | 5,000 |
| | <u>\$42,000</u> |

2. From U.S.

| | |
|------------------------|-----------------|
| Liver Extract | \$ 2,000 |
| Mapharsen | 5,000 |
| Glucose in solution | 1,000 |
| Procaine hydrochloride | 1,000 |
| Vitamin A & D in oil | 7,500 |
| Dexin | 7,500 |
| DEF 10% in bulk | 2,000 |
| DEF 10% in 6 oz cans | 2,000 |
| Hand dusters | 300 |
| Penicillin | 10,000 |
| | <u>\$38,300</u> |

Total \$80,300

Proposed Initial Shipments

FOOD (February and March Shipment)

| | <u>Tons</u> | <u>Dollars</u> |
|---|--------------|----------------|
| Oatmeal | 500 | 59,500 |
| Dried whole milk | 200 | 182,000 |
| Dried skim milk | 100 | 34,000 |
| Fish | 440 | 135,300 |
| Fats | 250 | 90,000 |
| Meat, canned | 272 | 150,000 |
| Cod liver oil | 50 | 30,000 |
| Sugar | 450 | 52,200 |
| Pre-mix cereals | 250 | 20,500 |
| Balance (to be used for Army surplus rations) | | 146,700 |
| | <u>2,582</u> | <u>900,000</u> |

INDUSTRIAL REHABILITATION

Trucks (ea) 100 250,000

(Also being considered is a small repair shop or supplies of tools)

MEDICAL SUPPLIES

300,000

TEXTILES AND FOOTWEAR

| | | |
|---------------------|-------------|----------------|
| Cotton piece goods | 64,908 yds. | 14,232 |
| Children's sweaters | 50,520 ea. | 50,520 |
| Infants shoes | 50,400 ea. | 55,440 |
| Findings | | 35 |
| | | <u>120,227</u> |

TOTAL VALUE INITIAL SHIPMENTS

\$1,570,227

*Stamp for
Hungary
for
Box Registry*

