

УДК 339.5.012.435(4-11)

Оригиналан научни рад
Примљен: 5. 10. 2015.
Прихваћен: 16. 11. 2015.

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Non-tariff Protectionist Schemes, 1918–1928
Southeast and East-Central European Perspectives*

Abstract: This article focuses on non-tariff, i.e. unorthodox trade protectionist schemes imposed by governments of Bulgaria, Yugoslavia, Czechoslovakia and Poland in the aftermath of WWI. The policies of state intervention in the four countries are analyzed from a comparative perspective, and presented in a global context of changes. Equal consideration is given to the legal framework of policy and the ways it was applied in reality.

Key words: trade protectionism, deglobalization, non-tariff trade barriers, Southeast Europe, East-Central Europe

Apart from what might be considered regular or tariff-based protectionist schemes,¹ the first post-war decade witnessed the advent of a wide range of new and unorthodox non-tariff measures in the domain of trade controls. The scale of the application of these measures, and the in-

* This article has been written within framework of the scholarly project *Tradition and Transformation – Historical Heritage and National Identity in Serbia in 20th Century* (No. 47019), funded by the Ministry of Education, Science and Technological Development of Serbia. Apart from the Ministry, the research was funded by Mediterranean Program of the European University Institute in Florence and Imre Kertész Kolleg in Jena.

1 On tariff-based trade controls I wrote an article: Aleksandar R. Miletić, “Deglobalization in the Periphery. Tariff Protectionism in Southeast and East-Central Europe, 1914–1928”, *Tokovi istorije* 3/2014, 69–87.

tensity of the state involvement, were particularly high in the newly-created nation states in the territories which used to be under the control of the Central Powers during the war. During the war, under the regime of the continental and maritime blockades imposed by the Entente Powers, these countries/territories were cut-off from their traditional sources of raw materials and food, this caused scarcity and an unprecedented scale of state control over available supplies of goods. This tendency would continue even after the war was over: Bulgaria and the successor states of Imperial Germany and Austria-Hungary (Austria excluded) imposed the highest levels of tariff protection and the most severe trade restrictions in Europe during the inter-war period. These were exceeded only by the revolutionary Bolshevik practices in the domestic and foreign trade of the Soviet Union. Yet, the USSR which was for certain geopolitical reasons (and due to the nature of its regime) almost completely excluded from the European and world trade system during the 1920s represents a unique case.

This article focuses on the series of upheavals in international trade caused by the violence of the WWI that eventually undermined the economic and institutional foundations of European prewar capitalism. In more general terms, it was for the first time in modern history that large-scale violations of what were formerly conventional rules of the market economy occurred simultaneously in almost all European countries; important elements of this global retreat from the market economy continued by inertia in the years following the war. These global changes were even more dramatic in the economic periphery of Europe, part of which will be covered by this article. The trade policies of the four countries of Southeast and East Central Europe represent basic units of research and accordingly the contents of this article.

Yet, the very fact that the individual nation states policies are analyzed within separate sections of the article does not imply that there were no comparative perspectives established between them. On the contrary, throughout the text, the comparative approach will be applied whenever referring to particular policy patterns. Namely, after elaborating on Yugoslav trade controls in the first section, the Polish model of restrictions is explained in the second section in comparison with the Yugoslav case. In the third section of the paper, the Bulgarian policy pattern will undergo detailed comparison with both the Yugoslav and Polish model. In the case of Czechoslovak trade restrictions, analyzed in the fourth section, the comparison includes all the countries involved. The overall assessment of the policy patterns, results and conclusions are presented in the fifth section.

To some extent, the comparative approach was made easier by the similarities in the four countries' policy patterns, which came as a result of common war experiences and analogous traumatic conditions that these countries (i.e. their populations) went through. In the immediate post-war period, these states might have been quite different in terms of their institutional capacity, social or economic structure, ethnic diversity etc., yet they all went through similar phases of post-traumatic recovery and stabilization after the war. The extent to which the national legislations and institutional frameworks of the four countries correspond to each other is astonishing. The state, society, and the economy interacted intensively in these processes, which were "recasting" the institutional basics of pre-war European patterns of economic organization. This article will provide insight into these dynamics within turbulent areas of Southeast and East-Central Europe by taking into account the striking phenomena related to the large-scale state interventions in these economies.

The research topics covered by the article have been largely under-researched and neglected by the regional scholarship. The technicalities and development of state intervention in the economy in East-Central and Southeast Europe after the First World War have only been analyzed in a broad and general way, and without a detailed examination of particular phenomena. In the great monographic syntheses of the economic history of the region, some of the features under study were only briefly mentioned as a component of the pan-European trend of post-war stabilization between 1918 and 1923.² Published analyses have not gone beyond the reconstruction of the general framework of the macro-economic measures, statistics, trends and tendencies. While Lampe and Jackson put emphasis on monetary policies and foreign trade performance, Berend and Ranki focused primarily on structural changes in agriculture and general economic performance. Teichova's great monographs cover mainly macro-monetary problems and the most general economic features. As important an issue as housing rent-control systems has never been the subject of a scholarly study in any of the four countries, while in the domain of control over population movement and

2 John R. Lampe, Marvin R. Jackson, *Balkan Economic History, 1550–1950. From Imperial Borderlands to Developing Nations* (Bloomington: Indiana University Press, 1982), 329–402; I. Berend, G. Ranki, *Economic Development in East-Central Europe in the 19th and 20th centuries*, (New York: Columbia University Press, 1974), 171–201; Alice Teichova, *The Czechoslovak economy, 1918–1980* (London, New York: Routledge, 1988); Alice Teichova, "East-central and South-east Europe 1919–39", *The Cambridge Economic History of Europe*, vol. VIII, (Cambridge: University Press, 1989).

labour migration, only some isolated aspects have been explored. Only in the area of trade controls does one find more scholarly works, and even then, only on the nation-state level.

Yugoslav trade restrictions

The Yugoslav trade policy was developed in chaotic war-time circumstances, and within the complex process of the creation of the new South Slavic state. In reality, the first trade measures implemented by the new state were anticipated and enacted by Serbian authorities (even before the final military breakthrough on the Macedonian frontline took place) at a time when Serbian territories were still occupied by the Central Powers.³ Namely, in July 1918, the Serbian government (in exile), in a session held on the Greek island of Corfu, decreed an order prohibiting exports of foodstuff from the (still occupied!) country. On 26 September 1918, during the decisive military operations in Macedonia and Southern Serbia, another measure, essential for providing the country with food supplies from abroad, was decreed by the Serbian government. That regulation exempted the most important foodstuff from tariff taxation according to Serbian customs regulations. These two compatible measures were reinforced when a new Kingdom of Serbs, Croats, and Slovenes, was created out of Serbia, Montenegro, and the Southern-Slav territories of Austria-Hungary. No other policy could have been expected in a country in which the population had just emerged from the horrific deprivation caused by wartime blockades. Among them, the population of Dalmatia was particularly affected by the maritime blockades along the former Austro-Hungarian Adriatic coastline that lasted until March 1919.

According to these initial measures it is apparent that the Yugoslav state authorities were eager to keep the foodstuffs solely for the domestic market, yet, it soon became obvious that these were the only ex-

3 A detailed "Report on the work of the Ministry for Trade and Commerce" will be applied as the main narrative guideline and the most important archival source for the reconstruction of the developments of Yugoslav trade affairs and policy. The report was written in the second half of the 1930s as a part of the preparation for the Yugoslav state jubilee, namely the 20th anniversary of the new state. It was to provide necessary documentary material for a publication, which would mark the anniversary. Regardless of the actual context, the report itself was written in a highly professional manner and with impressive detail and valuable information. The text was produced by professionals, after certain time distance, and probably for that reason one will not find much panegyric undertones, but rather a critical account on the state policy. If not indicated otherwise, this source will be used in elaboration of the Yugoslav foreign trade policy. In: AY, Collection of Vojislav Jovanović - Marambo (335)-99.

changeable goods that could be bartered on the foreign market. Namely, due to the transportation problems, the markets of the countries which could pay with hard currency were inaccessible. Only neighboring states, and particularly Austria, Hungary and Romania were within the range of Yugoslav transportation facilities. Since the national currencies of all these countries were destabilized by high rates of inflation, the bilateral barter-trade arrangements appeared as the only possible option in trade transactions. The barter agreements however could only be arranged and carried out with an approval of the state authorities.

Yet, in the Yugoslav trade policy the problem lay in a great number of institutions, and in different levels of authority, which attained the right to issue these licenses.⁴ Although only the Ministry of Finance was legally permitted to allow the import or export of certain goods, this right was exercised also by other Ministries, provincial governments, and their departments. Owing to loose state control and the chaotic post-war circumstances, the required documents were provided even at the local administrative level – by the municipal authorities in some larger Yugoslav towns. A particular complication came from the huge prerogatives assumed by the provincial governments for Vojvodina (Banat-Bačka-Baranja), Bosnia-Herzegovina, Croatia-Slavonia, Dalmatia, and Slovenia; these were hangovers from Habsburg rule, but continued functioning even after the new Yugoslav state was created. Some of these governments or their departments survived until 1924. In the domain of trade arrangements these provinces were autonomous to such a degree that a question remains as to whether the domestic trade complications in Yugoslavia during 1919 and 1920 could rather be regarded within the domain of foreign or inter-state trade arrangements, as noticed by one contemporary observer.⁵ In legal terms, trade was placed under the control of the state, the only problem was that “the state” itself has not yet been defined and consolidated in the domain of its authority and range of powers.

This lack of a unified and integrated trade policy continued even after a new central institution for trade control was established in March 1919. This was founded with an aim to concentrate control and administration of foreign trade in one place, and was officially designated as the Central Administration for Foreign Trade Affairs (CAFTA); this in-

4 „Питање надлежности“, *Политика* [“Issue of Jurisdiction”, *Politika*], 4193, 5 October 1919.

5 See more in: Aleksandar R. Miletić, “Unutrašnja trgovina u Kraljevini SHS 1919 godine”, *Tokovi istorije* [“Internal Trade in the Kingdom of Serbs, Croats and Slovenes in 1919”, *Currents of History*] 3-4/2003, 13-17.

stitution was bitterly criticized by contemporaries. Particularly harsh were accusations and commentaries published by the *Trgovinski glasnik* [Commercial Herald], the organ of the Belgrade Trade Chamber. According to the numerous articles and commentaries of the journal, the CAFTA was allegedly “over-bureaucratizing” the procedure with trade licenses, while at the same time it was incapable of imposing its jurisdiction over the foreign trade. Far more serious accusations, however, were raised in the domain of the misuse of power and widespread corruption within the procedure for the issuing of export licenses.

The Yugoslav CAFTA was entrusted with the power to control and facilitate the country’s foreign trade. However, as it appears from the numerous complaints, this office, i.e. its officials, demonstrated their own sense of agency in the domain of trade affairs.⁶ The abuse of the system came from the discretionary rights given to officials, which opened the door for corruption and financial exploitation of applicants. In this particular domain, export licenses became an item of “trade” among interested individuals. The *Trgovinski glasnik* wrote on this issue in November 1919:

“After the barter agreements were concluded with German Austria and the Republic of Czechoslovakia, the number of goods which were allowed for export gradually increased, yet, in the same time, the number of individuals who could take advantage of the barter arrangements increased also. [...] It seems as if a whole system of illegal procedures developed in order to provide somebody with the import or export license, only to sell it or to pass it on to another person for a large sum of money.”⁷

The license trade regime became notorious for the wide-spread corruption involved in its procedures and conduct. Allegedly, CAFTA officials established their own networks of people, usually connected with political power, but with no experience in either foreign trade or trade at all. The *Trgovinski glasnik* was complaining about these political networks which were depriving real traders of their jobs. It was highly unlikely that anyone would be granted a license without the intervention of politicians. Those who obtained licenses often served only as intermediaries who could pass these on to another person, or to an actual trader. Of course, the whole “procedure” was accompanied with (extra-) institu-

6 See: “Афера с извозницама”, *Политика* [“Affaire with Export Licenses”, *Politika*], 4205, 17 October 1919. The corruption allegations against the CAFTA can also be found in the aforementioned “Report on the Work of the Ministry of Trade and Commerce” In: AY, 335-99.

7 „О контроли извоза и увоза“, *Трговински гласник* [“On Controls over Exports and Imports”, *Trgovinski glasnik*], 19 June 1919.

tional bargaining between the parties involved, and even with something that resembled the public auctioning of licenses. It seems that much more actual “trade” was involved in the CAFTA procedures for obtaining necessary papers than in the trade itself:

“At the very beginning, it was noted that the licenses for export of large quantities of dried plums had been issued to individuals who had no previous experience in trade affairs; these licenses were later resold. In the Parliament there wastalk about an MP who after many appeals had managed to obtain an import license from the Minister for Nourishment, allegedly in order to import three freight cars of sugar for his district. He resold it later at a high price. On one occasion, a young man, a non-trader, who was related to a certain powerful man was issued an approval for export of 400 freight cars of dried plums and jam, and 300 freight cars of plum brandy, to the region of Timisoara [Romania], and for the import of one freight car of sugar, 5 freight cars of flour, and 1000 head of oxen from this region. Recently this young man was publicly offering this license for sale.”⁸

Since the CAFTA proved completely inefficient in the domain of control, and probably because of the aforementioned complaints and accusations, it was dissolved in November 1919, only six months after it was established. The new system of trade controls which were inaugurated in the course of 1920 was a more realistic one, at least in domain of perceiving the basic administrative limits of “human infrastructure”.⁹ Namely, instead of the procedure of issuing individual licenses based on the state officials’ arbitrary decisions, the new system introduced a general ban on the export of certain goods for certain period of time by the Ministry of Trade and Industry. In this way, the system was more flexible to a certain extent, and the state could manage to control the business of export, or imports of certain goods, in accordance with the situation on the domestic market. Moreover, in this way the state policy did not rely on the arbitrary decisions of the untrustworthy state officials any longer. In addition, the new provisions were to combat the autonomous trade policies of the provincial governments whose jurisdictions were gradually decreasing in scale and authority in the course of 1920. By the end of that year both domestic and foreign trade of Yugoslavia were completely out of jurisdiction of the provincial authorities.

⁸ Ibid.

⁹ It was in August 1919 that *Trgovinski glasnik* had already advocated for such model of control as a more suitable one in terms of preventing corruption “by providing unfortunate licenses that were easy to abuse” as it was previously case. See in: „За слободну трговину“, *Трговински гласник* [“For a Freedom of Trade”, *Trgovinski glasnik*], 12 August 1919.

The introduction of the export tariffs in October 1919, and a strong commitment to charge import tariffs, proved to be significant novelties in the Yugoslav trade policy introduced at the end of 1919.¹⁰ In general terms, the reintroduction of the export tariffs in global trade relations after the First World War is one of the striking curiosities of inter-war period. During the period of prosperous 19th century capitalism, export taxation, being harmful to trade, had been almost completely abolished in most of European economies; in Great Britain it was terminated in 1842, in France in 1857 and in Prussia in 1864.¹¹ In 1914, on the eve of the war only few countries from the economic periphery of Europe still retained some of the remnants of export taxation. In Spain it was levied on coke, in Romania on forest products, in Serbia on oxen and goat skins. The inter-war period witnessed a restoration of export taxation, which was functional for the state policies mainly for fiscal reasons as an important source of cash revenue. It was also useful in slowing down the export rates for the goods which were critically needed for the domestic population. The extensive taxation on exports was applied mostly by the countries on the “economic periphery” of Europe including all four countries under review. Today, just as during the inter-war period, export taxation found application in some developing countries (such as China, Russia, and Argentina) mainly for fiscal reasons.

The first Yugoslav export tariffs were imposed in October 1919, mainly on agricultural and forest products.¹² During the period of reconstruction and post-war recovery these were to curb exports and to serve the country’s fiscal policy. When the food provisions ceased to be a top priority for domestic policy – namely after the harvests of 1919 and 1920 – the export taxation of agricultural products was kept chiefly for fiscal reasons. Considerable rates of the taxation came as consequence of incredible price divergences that occurred between European countries and regions. According to a calculation by the *Trgovinski glasnik*, the price divergence ratio between domestic prices in Yugoslavia and Switzerland was not less than 6–7.5 against 1 in favor of Switzerland’s mar-

10 “Raspis ministarstva finansija o naplaćivanju izvozne carine za raznu robu” [Order of the Ministry of Finance on export taxation for different kinds of goods of 17 October 1919], *Službene novine* 121, 24 October 1919.

11 See: Goode et al., “Role of Export Taxes in Developing Countries,” *Staff Papers – International Monetary Fund*, Vol. 13, No. 3 (Nov, 1966), 454–455 and article “Tariff”, *Encyclopædia Britannica Online*, retrieved on 05 Dec. 2009, <http://www.britannica.com/EBchecked/topic/583535/tariff>

12 “Raspis ministarstva finansija o naplaćivanju izvozne carine za raznu robu” [Order of the Ministry of Finance on export taxation for different kinds of goods of 17 October 1919], *Službene novine* 121, 24 October 1919.

ket prices! The author of the article claims that the profit was enormous, even taking into account huge freight costs between these two countries. On each 100 kilograms of the grain exports a trader would gain around 35 Swiss Francs at a net profit or about 50 percent of its market price in Switzerland. The net income was so immense that additional tariff taxation could not harm traders' interests. Not only did the official organ of the traders association, *Trgovinski glasnik*, not complain against the introduction of export tariffs, but these were justified as an expected economic measure.¹³

The fiscal contribution of export tariffs was paramount only immediately after the war in 1919 and 1920. For instance, in 1920, the export tariff revenues were slightly higher than those raised from import tariffs, no matter that exports accounted for only around 40 percent of the value of that year's imports. The export tariffs contributed significantly to the budget incomes of Yugoslavia in 1920 when these totaled around 10 percent of all the revenues. However, in following years the fiscal importance of the export tariffs declined. In 1921, these contributed to revenues of no more than 5 percent, and later the percentage became even smaller.

The Polish model of trade controls

The Polish foreign trade was subjected to restrictions and controls similar to those applied in Yugoslavia. In Poland one also finds unorthodox trade policy measures such as export tariffs, a licensed export/import system, bans on export/import, barter arrangements and above all, the government's right to make arbitrary exceptions in the application of any of these measures. However, notable differences existed at the institutional level of state intervention, and the degree and the time-span of the application of these measures. In the next few paragraphs we will see how the Polish system of trade controls developed.

Since the dissolution of Polish predecessor countries (the three Central and Eastern European Empires) in 1918 was directly connected with inadequate provisions of food stuff and other basics items, one of the first priorities of the new Polish authorities was to impose their own system of control over trade affairs. Many trade-control measures had already been applied by the Partition countries; in the new Polish state these were maintained at the level of the provincial government.

13 „Извозне царине“, *Трговински гласник* [“Export Tariffs”, *Trgovinski glasnik*], 2. October 1919.

The provincial governments, in charge of the former Partitions, were based in Poznan (for the German Partition), Warsaw (for the Russian), Krakow and Lvov (for the Austrian), and Cieszyn (for the Upper Silesian autonomous region made up of previous Austrian and Prussian territorial units). All these governments created special institutions designed to control exports from, and imports to, their territories. In April 1919 a huge step towards the unification of the system was undertaken when the Galician offices for trade control in Lvov and Krakow were placed under the jurisdiction of the Warsaw based State Commission for Imports and Exports (SCIE).¹⁴ In November 1920, the SCIE was renamed and reorganized into a General Bureau for Imports and Exports (GBIE) which was designed to become a nation-wide institution for trade control.¹⁵ The German Partition was the only remaining territory outside of its control, as the Poznan provisory government was by far the most autonomous in the domain of economic policy. Not before autumn 1921 was this province integrated into the economic and tariff policy of the united Poland.¹⁶ The problems with integration of Upper Silesia were connected with issues of plebiscite and special economic arrangements foreseen by the Treaty of Versailles. In this particular context, the Polish situation is comparable to, and almost simultaneous with, the Yugoslav complications arising from the more or less self-governing provincial governments in 1919 and 1920.

A similarity with the Yugoslav case applies also to the initial trade measures applied in the immediate post-war period. Given the urgency of providing food provisions and all kinds of supplies for the new state's population and economy, trade control jurisdiction of the Warsaw based SCIE was limited mainly to control exports, while imports were more than welcomed in the war-torn country. In Poland, due to an ongoing war with Ukrainian and Russian Soviet Republics (1919–1920), the provisioning problems became even more dramatic. Zigmunt Miduch, a contemporary analyst, remarked that the Polish imports policy in this

14 Landau and Tomaszewski, *op. cit.*, 325.

15 "Rozporządzenie Ministra Przemysłu i Handlu, Ministra Skarbu, Ministra Sprawiedliwości, Ministra Kolei Żelaznych, Ministra Poczty i Telegrafów oraz Ministra b. Dzielnicy Pruskiej z dnia 30 października 1920 r. w przedmiocie organizacji i przepisów postępowania urzędów oraz izb przywozu i wywozu", *Dziennik Ustaw Rzeczypospolitej Polskiej* [Official Gazette of the Republic of Poland, "Order By Ministers of Industry and Trade, of Finance, of Railways, and of former Prussian Partition, of 30 October on issue of Organization of Exports and Imports"], Item 703, No. 107, 22 November 1920.

16 Ferdynand Zweig, *Poland between Two Wars. A Critical Study of Social and Economic Changes*, (London, 1944), 28.

formative period was compelled “to move towards protectionism” in the domain of industrial goods, but at same time towards “liberalism [...] in the domain of importation of the foodstuff and basics.”¹⁷ On the other hand, when the issues of export policy are regarded, state interests were quite reversed.

In Poland, as in Yugoslavia, the licensing system was adopted with the aim of controlling trade. Yet, while in Yugoslavia it lasted for no more than 6 months, in Poland it went through a much longer history of administrative use. Almost two years after the creation of the state, each shipment of both imports to and exports from Poland, still required procedural approval, and the issue of a license by the central trade authorities (GBEI for the former Russian and Austrian Partition, and corresponding institutions in the Upper Silesia and the German Partition). This was probably a consequence of the war with the Soviet Republics that lasted up to the end of 1920. In the course of 1921, a certain liberalization of the trade regime occurred when the authorities established a list of the goods that could be traded without restrictions. For all other products, still encompassing the main agricultural products, a general ban and the complicated procedure for licensing exports was still in force. From time to time, some changes would occur within the list of the products, but by and large the main principle of controls governed by the Warsaw based MBEI remained the same. The first significant attempts to stimulate exports of foodstuff caused huge social turmoil during second half of 1923.¹⁸

The institutional framework of the GBEI and licensing system of trade control in Poland were terminated in May–June 1924 as a part of the restructuring of the general state policy in this domain. Instead of individual licenses issued for each transaction of trade, the government was given the right to impose a general ban on the export/import of some goods for certain period of time. This was the same solution which was applied in Yugoslavia after the abolishment of the licensing system. Yet, it seems as if the Polish government could not function long without it. After the Second Polish Republic entered a sort of tariff war with Germany in 1925, the bureaucratic complications became once again an integral part of almost every trade action. A list of products that were

17 Zygmunt Miduch, “Polska polityka celna i traktatowa”, *Bilans gospodarczy dziesięciolecia Polski odrodzonej II*. [“Polish Policy of Customs and Trade Agreements”, *Economic Balance of the Two Decades of the Reborn Poland*], eds W. Schramm and E. Taylor, (Poznan, Wydawnictwo Powszechnej Wystawy Krajowej, 1929), 70.

18 Zbigniew Landau, Jerzy Tomaszewski, *Gospodarka Polski międzywojennej 1918–1939*. (I volume) [*Economy of Inter-war Poland 1918–1939*], (Warsaw: Książka i Wiedza, 1967), 333–334.

forbidden to be imported was made public, and government bodies were authorized to give licenses in each individual case. An additional problem with these restrictive measures was that although they only aimed at trade with Germany, the control had to be extended to all suspicious cargos. Almost the entirety of Polish foreign trade was affected in reality, since the German goods could arrive through intermediary traders from other countries. In each individual case it was necessary to investigate the origin of the goods which took much time and paperwork. This over-bureaucratized and cumbersome system remained in power until the end of the period under study.¹⁹

The export tariffs in Poland went through a history of gradual implementation by the fiscal authorities. At the very beginning, export taxation was applied in a form of an ad valorem quasi tariff imposed on certain exported goods. According to the numerous orders published in the Polish official state journal, this peculiar institution was very much in use throughout the period between October 1922 and May 1924. This was not a regular tariff charge, since there was no such institution according to the official 1919 tariffs legislation, but a kind of taxation that was meant, at the beginning, only for the administrative costs of the state personnel engaged in the state facilitated exports businesses. Under this pretext and in this form it was levied on goods exported to Yugoslavia, Austria and Czechoslovakia, at a rate of 2 percent of the amount of the purchase price of the exported goods.²⁰

It seems that the developed form of the later “exports taxation” evolved from this initial procedure. In October 1922, it was charged in the form of taxation imposed on the export of geese at a rate of 60 percent of the export profit. The taxation was introduced by an order of the Minister of Finance “in accordance with the Minister of Trade and Industry” and “after obtaining opinion of the GBEI”.²¹ The same procedure and the same semantic formula were applied in an order of January 1923, when a tax of 50 percent on profits was imposed on the exportation of sugar. In June 1923, another order established a 30 percent profit taxation on the export of millet, 30 percent on buckwheat, 50 percent on beans, 60 percent on peas, and the same percentage for both slaughtered and livestock poultry. The export taxation on barley and barley bran was 60 percent, and on treacle it was established at 50 percent in May 1924 when the last

19 Ibid., I, 333–334; II, 285–286.

20 Alfred Siebeneichen, *Reglamentacja handlu w Polsce* [State Regulations on Trade in Poland], (Warszawa: Min. Przemysłu i Handlu, 1920), 28.

21 *Dziennik Ustaw*, Item 893, no. 97, 11 November 1922.

such measure was inaugurated.²² After the new tariffs system and new legislation on tariff administration were enacted in May 1924, the export taxation ceased to exist as the Polish authorities finally introduced the institution of export tariffs. It is difficult to give an estimation of the fiscal benefits that came from these quasi-tariffs “export taxation” since it was not listed separately in the budget but rather within other administrative taxes’ revenues. Taking into account the fact that it was calculated on the basis of the actual profit, it might help compensating for the negative impact of the high rates of inflation.

Bulgarian non-tariff trade controls

In Bulgaria, the post-war trade policy continued basic restrictions imposed during the war. In 1919 and 1920, control over both foreign and domestic trade was placed under strict control of the war-time military dominated Directorate for the Economic Affairs and Social Planning (DEASP), which replaced in April 1918 the Committee for Economic Affairs and Social Planning (CEASP), it was established in March 1915 in anticipation of the Bulgarian entry into the war. In institutional terms, the directorate was placed within the Ministry of War, but it was also under the control of the Bulgarian government. By an order of 27 April 1918 it was renamed the directorate. According to the *Law on Social Planning*, of 4 March 1915, the committee was to consist of 14 members who represented the interests of the industrial and trade chambers and the state ministries. The committee had a much broader jurisdiction and more executive powers in the domain of internal rather than in the foreign trade. An exceptional right of declaring bans on exports of certain goods remained with the central government; the committee could declare bans only in accordance with the government.²³

However, the “social planning” in Bulgaria started even before the committee was founded. By the decrees issued between 29 July and 12 August 1914, the Bulgarian government forbade the export of grain, wool, and other agricultural products. Exceptions from the ban were possible only with an approval, i.e. license issued by the Ministry of Trade

22 *Dziennik Ustaw*, Item 74, No. 11, 1 February 1923; *Ibid.*, Item 457, no. 61, 21 June 1923; *Ibid.*, Item 787, no. 100, 5 October 1923; *Ibid.*, Item 1104, No. 133, 23 December 1923; *Ibid.*, Items 444 and 446, No. 42, 21 May 1924; *Ibid.*, Item 487, No. 48, 10 June 1924. The last order was decreed on 15 May 1924 before the tariff system was passed by the parliament.

23 “Law on Social Planning”, *Dържавен вестник*, 54, 7 March 1915.

and Commerce, of each individual case.²⁴ A part of this jurisdiction was later shared with the committee, while a general ban on exports and imports was introduced when the country entered the war. The license system in Bulgaria thus, can be traced from July 1914 onwards. Since the task of providing supplies for the Bulgarian war machine and the provisioning of the civilian population became ever more complicated by the end of the war export bans were extended to more and more goods and materials. Yet regardless of these measures, much of the goods ended up with the Central Powers whose authorities had high expectations of, and demands from, Bulgarian agriculture.²⁵

The devastating influence of the war is evident in the Bulgarian trade balance when compared to that of 1911: the calculation shows that total imports tonnage decreased by around 7 times, while overall export tonnage shrunk by 52 times! The tonnage gradually increased in next few years, however the exports tonnage came up to only 37.7 percent of the 1911 level in 1924, while that year imports rose to only 68.6 percent. Apart from the general problems related to transportation, currency, and exchange, this balance was certainly also connected with a restrictive trade policy. Namely, in Bulgaria, even after the war was over, the system of bans and licenses continued to function. After the war, foreign trade controls functioned through the government authorized lists of the items banned from being exported or imported. These items could be traded only with special licenses issued by the directorate. As we learnt from the order issued by the DEISP these lists were updated on a monthly basis and published in its official organ.²⁶

According to the same source, the state controlled not only the items of trade but also the traders' profit. It was set at 8 percent for gross selling and 20 percent for retailers.²⁷ Moreover, in domain of the grain trade a new revolutionary institution was inaugurated by the *Law on the Trade with Grains and its Products, and for [Food] Provisioning* of November

24 "The Decree on Ban on Grain exports" of 29 July 1914, *Dăržaven vestnik*, 177, 4 August 1914; "The Decree on Ban on export of wool", of 3 August 1914, *Ibid.*, no. 178, 8 August; "The Decree on Ban of Flour exports" of 12 August 1914, *Ibid.*, 181 (15 August). See also: *Ikonomika na Bălgaria do socialističeskata revolucija [Bulgarian Economy before the Socialist Revolution]*, ed. Ljuben Berov, (Sofia, 1989), 387.

25 *Ikonomika na Bălgaria*, 391.

26 "Дирекцията за стопански грижи Заповед Бр. 460, 22 май 1920", [The Directoriat for Economic Affairs and Social Planning, Order No. 460 of 22 May 1920], *Известия на Дирекцията за стопански грижи и обществена предвидливост*, [Journal of the Directorate for Economic Affairs and Social Planning], 26, 10 June 1920. See the Article 23 of the order.

27 *Ibid.*, see the Article 2.

1919.²⁸ This law established a complete and unrestricted state monopoly in the domain of foreign trade, while on the domestic market a certain role was still to be played by private companies and individual traders.

The implementation of the state monopoly was entrusted to a Consortium for Grain Exports founded by the capital assets of the National, Agrarian and Cooperative Banks of Bulgaria. The Consortium had the exclusive right of exporting grains from the country; the individual traders or trading companies could sell grain products abroad, but only with approval from the Consortium. Backed by the state, and supplied with sufficient amounts of money assets, the Consortium was capable of buying up all the available grain stocks designated for exportation. The profit seems to be guaranteed since global prices were much higher than domestic ones, which were set by the law on the grain trade. Only ten percent of prospective profits were to be shared between the bank's co-founders and 90 percent was intended for the "Fund for the Improvement of Agriculture". In first instance these assets were intended for modern type grain elevators necessary for the storage of large quantities of grain.²⁹

The consortium went through several legislative modifications which aimed at strengthening the positions of agricultural cooperatives in the domain of exports. In ideological terms, the very concept of the consortium was the materialization of the program of the Bulgarian Agrarian Movement. In technical terms it aimed at gaining the best possible price on the global market. This sort of a state-facilitated trade eliminated many previous market mechanisms related to a liberal market economy. It was proven however that Bulgaria was surprisingly independent in its management of trade, especially for a country that had just lost the war, and was under extensive control of the Entente powers. Let us observe how this control functioned in trade affairs.

Bulgarian trade policy, unlike that of the other three countries, provides interesting material related to the attempts at restoring the premises of liberalism in trade policy by an institutional framework foreseen by the Paris Treaty Conference. In this particular case it was the Inter-Allied Control Commission, designed by Neuilly Treaty of August 1919, that was constantly opposing the interventionist trade policies of the Bulgarian government. In the domain of foreign trade, the commission decisively contributed to the abolition of the Grain consortium, and was resolutely against the introduction of new import and export tariffs. This sort of external influence in internal affairs of the country was

28 In: *Държавен вестник*, 200, 5 December 1919.

29 Articles 2, 7-20 of the law of November 1920. In: *Ibid.*

possible only because of Bulgaria's limited sovereignty. Under huge pressure from the commission, the consortium was terminated at the end of 1920.³⁰ Probably not by accident, at the same time, Bulgaria's trade system based on profit control, licensing, and administrative bans, was gradually also abandoned.³¹

Freedom of trade was officially proclaimed and the export tariffs system, founded by legislation in 1921 and 1924, was the only remaining systematic unconventional trade policy measure applied in Bulgaria after 1920, and by the end of period under study. The export tariffs found a broad application and ranged from 6 to 30 percent for food products, and went as high as 50 and even 100 percent in the case of some strategic goods or raw materials. In addition, from time to time, the government declared bans on exports or imports of some goods, but this was rather an exception than a systematic trade policy.³² The licensing system was finally liquidated in 1926, after the stabilization of the Bulgarian national currency, when tariff protectionism could replace non-tariff measures.³³

Czechoslovak policy pattern

Due to its advanced industrial production and early monetary stabilization, the trade policy of Czechoslovakia was slightly different in comparison with the other three countries. In general terms, however, the principal institutional features of the trade protectionist policy including application of non-tariffs measures can also be found in the Czechoslovakian model. This was particularly true for the chaotic circumstances during the first months after the new state was proclaimed. One of the first

30 *Ikonomika na Bălgaria*, 416; John D. Bell, *Peasants in Power: Alexander Stamboliski and the Bulgarian Agrarian National Union, 1899–1923*, (Princeton: Princeton University Press, 1977), 170; Румен Аврамов, *Комуналният капитализъм. Из българското стопанско минало*, I, [Rumen Avramov, *Communal Capitalism. From Bulgarian Economic History*, I], (Sofia, 2007), 587–588.

31 “Свободен внос. Заповед Бр. 933, 26 X 1920”, [“Freedom of Import, Order No. 933, 26 October 1920”], *Известия на Дирекцията за стопански грижи и обществена предвидливост*, [Report of Directorate for economic problems and social planning], 48, 29 October 1920; “Отменяват се заповеди и се възстановяват свободен износ и свободна търговия”, [“The Orders Are Being Abolished and A Freedom of Export Trade and the Commerce Are Established”], *Ibid.*, 53, 30 November 1920.

32 Рахам Берахов, *Индустриалният протекционизъм у нас* [Raham Berahov, *Our Industrial Protectionism*], (Sofia: Кооперативна печатница Napred, 1927), 66–67.

33 Динко Тошев, *Индустриалната политика на България след първата светвна война* [Dinko Tošev, *Industrial Policy of Bulgaria after the First World War*], (Varna, 1943), 48–49.

measures of the new authorities was to impose strict controls over both the export and import of all goods. No goods could enter or exit state territory without a license issued by the Imports and Exports Commission established by an order of the Czechoslovakian Ministry of Commerce of 22 November 1918.³⁴ A priority was placed on controls over exports of foodstuff and coal. The situation was much more complicated when it came to machinery, semi-manufactured goods, and the raw materials necessary for maintaining industrial production.

A scale of priorities for exports and imports of these items was significantly different from those applied by the predecessor Habsburg regime. Nobody could understand this complexity better than businessmen, or at least this reasoning influenced Czechoslovakian authorities when they established a sort of a corporatist trade-control model. The new regime was established by an order of 26 February which inaugurated Industrial Exports and Imports Cartels for each branch of industrial production.³⁵ Founded on the corporatist principles, with the unrestricted membership of all industrial sectors engaged in specific production, these cartels were entrusted with the authority to decide on applications for export or import licenses. Very soon, it proved that this was not a very fortunate solution since the problems and divisions existed within cartels themselves.

The decision-making process was not always efficient, nor was it transparent, and many misuses occurred with the licenses, this similar to the practice in other countries under review here. The Czechoslovakian exports and imports cartels seem to be quite far away from the presupposed ideal of a corporate governing body. By June 1920, these cartels were replaced by a special Foreign Trade Bureau established as state enactment of the law of June 24, 1920. This institution continued with the practice of individual applications and licenses for every export or import transaction on the international market, yet in the course of time it was entrusted with fewer and fewer jurisdictions as more and more trade became free of non-tariff measures. For almost all export items the licensing was abolished by the autumn of 1921, and for the majority of import goods by mid-1920s. In 1928, only 1 percent of exports- and 10 percent

34 The principal source for Czechoslovakian trade policy applied here are two studies written by the contemporary Czechoslovakian analyst Ferdinand Peroutka: "The Commercial Policy and the Tariff", *Czechoslovakia: A Survey of Economic and Social Conditions*, ed. Josef Gruber, (New York, 1924), 127–137 and "Foreign Trade", *Ibid.*, 110–126. Other sources, mainly of legal provenance, used for these topics will be indicated in the text.

35 „Nařízení o dovozních a vývozních syndikátech (no 100/1919)” [“Order on export and import cartels (no. 100/1919)”], *Sbírka zákonů a nařízení ČSR* of 3. March 1919.

of import items still required a license from the authorities.³⁶ The only unconventional trade measure which remained in use in Czechoslovakia throughout the period was export taxation, imposed on some crucial agricultural export goods (sugar, hops, malt, and spirits). According to the contemporary Czechoslovakian economist Vilibald Mildschuh, the state collected more than 6 billion koruna from this source during the period between 1919 and 1921.³⁷ The amount is indicative as it totals about one third of the annual Czechoslovakian budget for 1921.

Concluding remarks

One of the distinct features of the four countries' trade policies was the existence of all the distinctive institutional patterns of non-tariff trade control, which have been applied in the turbulent post-war period (i.e. the license system, contingent quota system, barter agreements, export tariffs, bans, import tariffs). Such scale and degree of unorthodox trade restrictions could not be found in other European regions of that time (USSR excluded). In this regard the four countries in this study proved to be among the most interventionist with respect to the degree of tariff protection, and unconventional (i.e. the non-tariff policy measures applied in foreign trade). Yet, is it feasible to construct a developmental typology of these restriction patterns? In other words, can we define criteria upon which one of these measures is to be considered more or less liberal or statist than the other one?

For that purpose we could accept the League of Nations' criteria applied in this respect. Namely, according to the expertise, proposals, and appeals, of the dozens of the international conferences organized under the auspices of the League of Nations during the 1920s, it seems that the moderate imports tariff policy was the only acceptable and legitimate measure of trade protection. The excessive import tariffs, export tariffs, quota contingents, and trade prohibitions, were all considered inappropriate and damaging from the point of international trade. However, it is difficult to compare these measures in the domain of a scale of "damage", which depended not only on the institutional pattern that was applied,

36 Aleš Skřivan, "K charakteru, rozsahu a zaměření československého vývozu v meziválečném období", [On Main Features, Volume and Orientation of Czechoslovak Export during the Inter-war Period], *Acta Oeconomica Pragensia* 7 (2007), 368, 371.

37 Peroutka, "The Commercial Policy and the Tariff", 131; Vilibald Mildschuh, "Currency Conditions", *Czechoslovakia: A Survey of Economic and Social Conditions*, ed. Josef Gruber, (New York, 1924), 188.

but also on the degree of taxation, or the extent of contingent restrictions. For instance, moderately high import tariffs under some circumstances might cause much more difficulties for trade than very low export tariffs. In the same way, very high export tariffs might restrict trade far more than would be possible with quota limitations.

For all these reasons, apart from the general League of Nations' principles, it is not possible to construct a feasible universal system of developmental typology in the domain of foreign trade restrictions. In the domain of post-war stabilization, however, abolishment or alleviation of any of the unorthodox measures will be considered as an indication of normalization and recovery. As it regards Southeast and East-Central European countries under study it can be safely concluded that many of the unconventional means of trade controls were abolished by mid-1920s as a response to stabilization of their national currencies. This refers to licensing schemes, administrative bans on exports/imports and barter arrangements brokered by the state. Due to a prolonged war period and a sort of tariff-war with Germany, Poland proved to be a notable exception in broader European terms. Regardless of the administrative efforts which were inclined towards normalization this country maintained unconventional trade controls throughout the period under review. This refers also to export tariffs which were gradually reduced yet in legal terms maintained during that period. Therefore, the four countries under study contributed immensely to the breakdown of the international trade market in the interwar period.

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Резиме

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Модел нецаринског протекционизма, 1918–1928.

Компаративне перспективе земаља
југоисточне и источне средње Европе

Апстракт: Овај чланак бави се нецаринским или неконвенционалним видовима трговинског протекционизма који су установиле и одржавале бугарске, југословенске, чехословачке и пољске власти у првој деценији после Првог светског рата. Политике државне интервенције разматране су из компаративне перспективе а у оквиру глобалног контекста промена у међународној трговини. Истоветна пажња посвећена је законском оквиру спровођене политике и начину на који се она спроводила у пракси.

Кључне речи: трговински протекционизам, деглобализација, царинска заштита, бартер-контингенти, југоисточна Европа, источна средња Европа

Предмет анализе ове студије су тзв. неконвенционалне или неуобичајене трговинске рестрикције које су настале у међународној трговини као последица глобалних поремећаја које је изазвао Први светски рат. У англосаксонској економској литератури неконвенционалним се сматрају све трговинске рестрикције изузев умерених увозних царина. Оне укључују претерано високе ставке увозних царина, систем дозвола за увоз/извоз, административне бартер аранжмане, извозне царине, као и административне забране увоза или извоза. Уколико се као критеријум „нормалности“ одвијања трговинских послова узму прокламовани стандарди Лиге народа, тада се они поклапају са перцепцијом конвенционалних и неконвенционалних трговинских рестрикција коју налазимо у англосаксонској литератури.

У земљама које су предмет анализе у овом чланку нормализација трговинских прилика поклапа се са тренутком стабилизације њихових националних монета средином двадесетих година прошлог века. Тада су углавном укинуте административне мере

контроле над спољном трговином. Једини изузетак представља Пољска, која је била суочена најпре са исцрпљујућим ратом против Совјета, а затим и са једном врстом царинског рата са Немачком у другој половини 20-их. Иако су и њене власти у неколико наврата покушавале да либерализују спољну трговину или да је барем ослободе непосредне државне контроле, то није било могуће под овим околностима. У Пољској су стога мере административне контроле над спољном трговином остале на снази све до краја периода којим се бави ова студија. Једина мера „неконвенционалне“ трговинске контроле која је остала у употреби у све четири земље до краја двадесетих година биле су извозне царине. Њихова реална вредност и учешће у фискалним приходима, међутим, континуирано су се смањивали.

Четири земље југоисточне и источне средње Европе примењивале су у првој деценији међуратног периода све познате облике неконвенционалних трговинских рестрикција и у том смислу представљају европски куриозитет. Наиме, у другим европским регијама, изузимајући једино драстичне економске експерименте које су примењивале власти СССР-а, није био забележен тако драстичан ниво државне интервенције у трговинске односе. На један или други начин, четири земље које су предмет студије у значајној мери су допринеле тренду деглобализације међународне трговине у међуратном периоду.