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DEGLOBALIZATION IN THE PERIPHERY
Tariff Protectionism in Southeast and East-Central Europe 1914–1928*

Abstract: This article deals with technical features of a system of state imposed constraints on the foreign trade of Bulgaria, Yugoslavia, Czechoslovakia and Poland (including state predecessors of the last three countries 1914–1918) in the period under review. It also analyses modus operandi and a range of applications of implemented policies in order to point out the similarities and differences in a cross-country comparison.

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

The article is written as a contribution to studies of phenomena that have been described either as the “recasting” of 19th century capitalism,[1] or as the “deglobalization”[2] of the world economy after 1914. In connection with this central inquiry it deals with the effects and outcomes of state intervention in foreign trade operations triggered by the First World War. Given the choice of European regions under study, it might seem rather strange to undertake an examination of deglobalization process in the countries that were either completely out or, at best, on the troublesome easternmost borderlines of the Atlantic economic system. For the most part, the economic systems in Southeast and East-Central Europe were disconnected from global trade and labor markets, and were under strong state control, even in the most prosperous period during the so-called “first globalization”. Yet, as we will see in the following sections, the changes which affected these countries were very much analogous to those that took place in the core economies. In this regard, the article does not suggest that an ideal free

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1 I refere here to the influential book of Charles S. Maier: Recasting Bourgeois Europe: Stabilization in France, Germany and Italy in the Decade after World War I, Princeton, 1975.

2 Concept of “deglobalization“ applied to the developments following 1914 implies that there was a significant trend towards trade and labor market globalization in decades prior to WWI. The concept of deglobalization has been applied by distinguished contemporary economic historians, such as Timothy J. Hatton, Jeffrey G. Williamson, James Harold, Barry Chiswick, Kevin H. O’Rourke, Ronald Findlay and Stefano Battilossi. Consequently, the era between the Franco-Prussian war 1870–1871 and 1914 is considered to be “the first globalization” period.

trade economy form of capitalism actually existed in the region or anywhere in the world before 1914; it only implies a general trend of moving away from the conventional rules of market economy in the decades preceding the war. In the domain of international exchange of goods, trade restrictions which had existed earlier became far more elaborated and developed in comparison to their pre-war standards.

The general features of the system in question were founded during the extraordinary wartime conditions that brought about almost a complete breakdown of the pre-war trade system, both in the domain of volume and the very nature of trade per se. Even after the war was over, much of the interstate and internal trade relations remained disrupted throughout a period of slow European post-war recovery. This huge upheaval in international trade proved to be one of the most significant features of the international economy during the period. Yet, not all of these restrictive policy patterns were invented and applied for the first time during and after the First World War. Even during a time of what might be considered prosperous European capitalism, i.e. the decades preceding 1914, international commercial affairs were not immune from state intervention in the form of ever-rising tariff protection. Such exceptional trade restriction patterns as export tariffs could be found in many colonies and in several European countries before 1914.[3] This applies to remarkably excessive tariffs also known as "tariff wars" which accompanied the newly emerging nation-economies' struggle for economic emancipation: the Russo-German tariff war in 1890s, Spain's tariff wars with France and Germany (1892), and the tariff wars between Austria-Hungary and Romania (1886–93) and later with Serbia ("the Pig War" of 1906–1911), provide relevant examples.[4]

Regardless of whether the war only accelerated these trends towards protectionism, or as an exogenous force it changed the very nature of the system, it is true that the basics of the trade regime became significantly different after the war-time period. During the first post-war decade, the state prerogatives in some European countries and for certain domains of trade controls went much further than those applied in the time of the late 19th century capitalism. The article deals with huge structural economic and social changes behind these tremendous changes. It focuses on the comparison of the specific features of the state-interventionist practices in the four countries within the global context during the period under review.

This article relies on primary archival sources, newspapers, statistical yearbooks, contemporary publications, parliamentary debates, and secondary literature. Studies and monographs by Ronald Findlay and Kevin H. O'Rourke,[5]

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3 For historical background of export taxation see in: Richard Goode, George E. Lent, and P. D. Ojha, "Role of Export Taxes in Developing Countries", *Staff Papers – International Monetary Fund*, Vol. 13, 3/1966, pp. 454–455.

4 Paul Bairoch, "European Trade Policy 1815–1914", *The Cambridge Economic History of Europe (vol. VIII). The Industrial Economies: the Development of Economic and Social Policies* (eds Peter Mathias and Sidney Pollard), Cambridge, 1989, p. 78.

5 Ronald Findlay and Kevin H. O'Rourke, *Power and Plenty. Trade, War, and the World Economy in the Second Millenium*, Princeton, 2007.

James Harold,[6] Charles P. Kindleberger[7] and Derek H. Aldcroft[8] proved to be particularly useful sources of empirical data and relevant examples also as a general analytical framework for approaching the phenomenon of global trade in the period under review. The statistical material and reports by organs of the Geneva based League of Nations provided important statistics and documentary information on global trade and international conferences summoned to deal with global trade problems.[9] Extremely useful was a book of German economist Heinrich Liepmann which presents a broad elaboration on economic, social, and political implications of trade issues and an exhaustive statistical survey on changing trends in tariff policies of European countries.[10] Apart from these general synthetic works, available publications and monographs (Anglo-Saxon, French, Bulgarian, Polish, Yugoslav, and Czechoslovakian) are applied to shed light on particular issues of the phenomenon.

The article consists of four sections, the first of which deals with global development of interstate trade constraints. The second section deals with pre-1918 traditions of the restrictive trade policies in Bulgaria, and state predecessors of other three countries under review. The third section elaborates on degree and nature of tariff taxation by the four countries. Conclusions will be presented in the fourth section. Comparative perspectives will be applied with an aim to point out similarities and differences of the pan-European phenomenon. Particular attention will be given to the upheaval caused by the first global warfare between 1914 and 1918; now let us begin with this issue.

Global impact of the war, post-war recovery, and "stabilization"

Much of the "total character" of World War One in Europe came as the consequence of the maritime and continental blockades applied by belligerents. Findlay and O'Rourke noted significant differences when these blockades were compared to those imposed during the Napoleonic wars of the late mercantilist era. While in the Napoleonic epoch the main effort was invested in preventing enemy countries from exporting their products (and acquiring precious metals in return), in the first global conflict the aim was quite the opposite. Namely, as the First World War proved to be a long-lasting war, the imports of raw materials and foodstuff became critically important for the maintenance of social peace and military order. For that reason, the European belligerents were primarily concerned with providing imports for their countries, and preventing their enemies from importing foreign goods. Concerns about the exports as well as the export-oriented industry, were given a low priority by their governments.[11]

6 James Harold, *The End of Globalization. Lessons from Great Depression*, Cambridge, Massachusetts: London, 2001.

7 Charles P. Kindleberger, "Commercial Policy between the Wars", *The Cambridge Economic History of Europe* (vol. VIII), (eds Peter Mathias and Sidney Pollard), Cambridge, 1989, pp. 161–196.

8 Derek H. Aldcroft, *From Versailles to Wall Street 1919–1929*, London, 1977.

9 League of Nations, *Commercial Policy in Interwar period: International Proposals and National Policies,* Geneva, 1942 and Ibid., *Tariff Level Indices. Economic and Financial Section – Documentation for the International Economic Conference*, Geneva, 1927.

10 Heinrich Liepmann, *Tariff Levels and Economic Unity of Europe*, London, 1938.

11 Findlay and O'Rourke, *op. cit.*, p. 431.

Since European production was disconnected from the global market during the war, a window of opportunity opened for new production centers outside Europe. As a result, a new geographic distribution of production regions and trade routes was established with an aim of compensating for the loss of European supplies. Particularly high rates of increases became apparent in agricultural and meat production in the Americas and Australia. The rising trends were noted also in domains of industrial production and semi-manufacturing throughout the colonial areas, and also in independent countries outside Europe; this was the case particularly in Japan and India. In this regard, huge problems occurred after the war, when European producers returned to the global trade market. A significant surplus of supplies, especially in the grain market, became evident shortly after the post-war reconstruction period. A global downturn of agricultural prices from 1925 onwards appears to be a vivid example of the eventual failure of the process of adjusting the global market to the changes in global production triggered by the war.[12]

Although the belligerents during the First World War were mainly concerned about providing imports, however even in this domain new restrictions were imposed. In Great Britain and France, the war brought about harsher tariff protection and a limitation in the freedom of trade for a large variety of goods. The average tariffs in France in 1918 were four times higher than in 1914, while in Britain one can notice a significant shift from liberal trade towards tariff protectionism and a system of trade preferences granted to her Dominions.[13] During the inflationary turmoil of the first few post-war years, nominal tariffs have been raised chaotically by national governments in desperate attempts to compensate for the loss of value of domestic currencies. It is very difficult to calculate changing trends of tariff indices in such an unstable environment. Moreover, it is complicated to estimate the efficiency of tariff protection in a period when international trade was much more affected by non-tariff measures, which will be described in the following section. Probably for all these reasons, the most dynamic period of the post-war recovery and adjustment of the peacetime economy, namely the period between 1918 and 1925, has not been covered in the available econometric studies on the tariffs trends.

A complete European nation-states' statistical account on tariff indices in the period under review is available only for 1925 (League of Nations' indices see above) and 1927 (Liepman's indices see above). These data (see figures 1 and 2) come from a post-inflationary period of relatively stable national currencies and a more or less consolidated economic situation in Europe; in the period between 1923 and 1925, most European countries underwent currency stabilization which ended the period of uncontrolled inflation and monetary instability in Europe. One more important indication of the post-war recovery in the domain of international commercial performance is the volume of trade, which attained its pre-war level in 1924.[14] Nevertheless, when compared to the 1913 level, the nation state indices from 1925 and 1927 differ significantly in the level of tariff protection (see figures 2 and 4). While the League of Nations' indices for manufactured goods fluctuated between 66 and 150 percent of the 1913 level, the Liepman indices for industrial

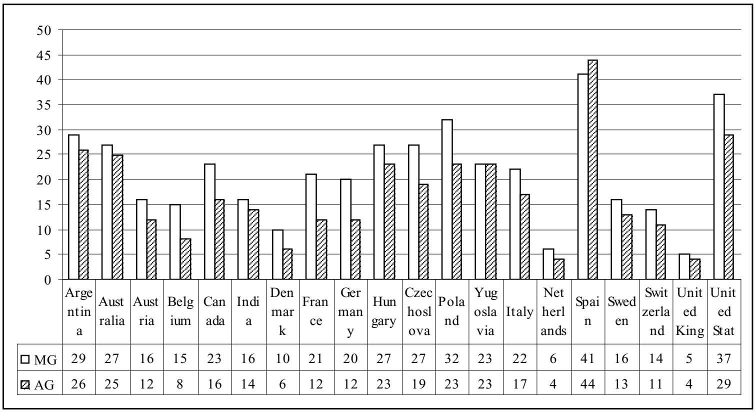
12 *Ibid*., pp. 434–439; Aldcroft, *op. cit*., pp. 40–49.

13 Kindleberger, *op. cit*., p. 162.

14 Findlay and O'Rourke, *op. cit*., p. 434.

manufactured goods range from an exceptionally low 65 percent for Poland to an average of between 150 and 190 percent in most European countries, and go up to 385 percent of the 1913 level in the exceptionally high tariff protection in Bulgaria (the country which has not been covered by the League of Nations' study). It is apparent from the data presented that tariff protection was on a significant rise, however, not as dramatic as one would expect taking into account the overall economic upheaval caused by the First World War. A dramatic rise in tariff protection occurred only during the Great Depression of 1930s.

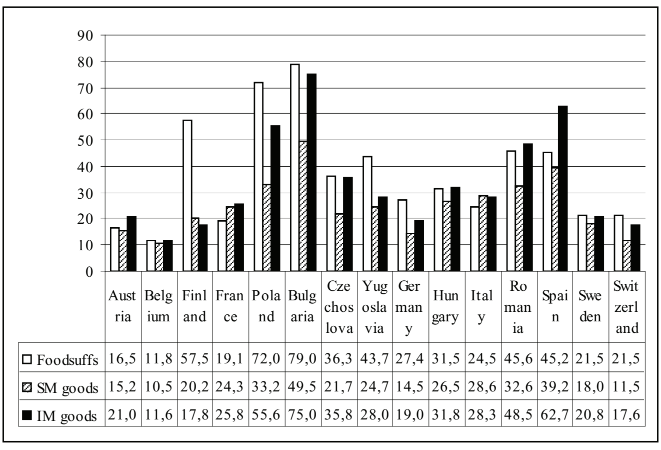
Figure 1: The League of Nations' Tariffs Indices (ad valorem) for manufactured goods (MG) and all goods (AG) in 1925



	Argentina	Australia	Austria	Belgium	Canada	India	Denmark	France	Germany	Hungary	Czechoslova	Poland	Yugoslavia	Italy	Netherlands	Spain	Sweden	Switzerland	United King	United Stat
MG	29	27	16	15	23	16	10	21	20	27	27	32	23	22	6	41	16	14	5	37
AG	26	25	12	8	16	14	6	12	12	23	19	23	23	17	4	44	13	11	4	29

Source: League of Nations, Commercial Policy in Inter-war period, p. 15

Figure 2: The Liepmann Tariffs Indices (ad valorem) for foodstuff, semi-manufactured (SM), and industrial manufactured (IM) goods in 1927



	Austria	Belgium	Finland	France	Poland	Bulgaria	Czechoslova	Yugoslavia	Germany	Hungary	Italy	Romania	Spain	Sweden	Switzerland
Foodsuffs	16,5	11,8	57,5	19,1	72,0	79,0	36,3	43,7	27,4	31,5	24,5	45,6	45,2	21,5	21,5
SM goods	15,2	10,5	20,2	24,3	33,2	49,5	21,7	24,7	14,5	26,5	28,6	32,6	39,2	18,0	11,5
IM goods	21,0	11,6	17,8	25,8	55,6	75,0	35,8	28,0	19,0	31,8	28,3	48,5	62,7	20,8	17,6

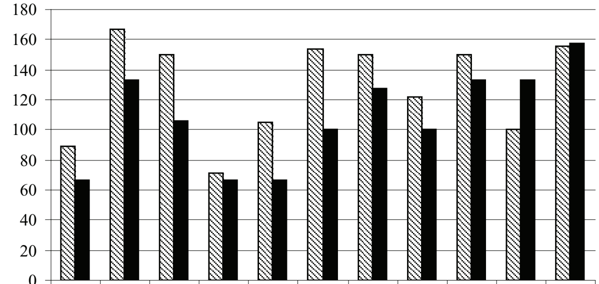
Source: Liepmann, Tariff Levels and Economic Unity of Europe, p. 413

On the other hand, it has already been pointed out that, apart from tariff measures, the 1920s 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 intensity of 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 some 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.

On the other hand, the impact of the war on the trade policies in the rest of Europe (Northern and Western European countries) and North America was not so profound. It seems as if these countries managed to return to the pre-war trade practices in quite a short period during post-war reconstruction. The protection tariff levels imposed by these countries during the 1920s were quite close to those applied at the end of 19th century, or on the eve of the First World War. Huge changes and increased levels of pre-war protectionism occurred only in Germany and the European economic periphery. Furthermore, the significant distinctive patterns of trade protection in the successor countries of the pre-war Central and eastern-European Empires became apparent at an institutional level. In addition to the pre-war protectionist policies based solely on import tariffs, a new system of inter-war trade controls also included export tariffs and non-tariff measures, such as the inter-state barter arrangements, quota system, or even the official prohibitions of trade for certain goods or certain countries.

Using the available literature and sources, a typology of institutional patterns that were imposed on inter-state trade, can be constructed. This differentiates between six basic means of controls and/or restrictions: the license system, the quota contingent system, export tariffs, import tariffs, the barter system, and the complete ban on trade (including the excessive protective tariffs which were meant to prevent imports rather than to charge them). Within the license system state approval was obligatory for each foreign trade transaction. Usually it was imposed on the export or import of certain goods, but it could have been imposed also on a broader basis. One way or another, this system of control required significant state involvement in commercial affairs and an immense amount of paperwork on the part of the traders and state personnel. Equally, administrative complications were caused by a highly bureaucratized quota contingent import/export system through which the state could facilitate control over the volume of its foreign trade. Under the system, private traders and companies could not sell or buy abroad without a special license which designated the approved amount of raw materials or goods that could be traded. The overall contingents of certain goods were limited by the state for a set period of time. The barter arrangements, concluded in the form of inter-state agreements, prescribed quantities and goods to be exchanged between two countries.

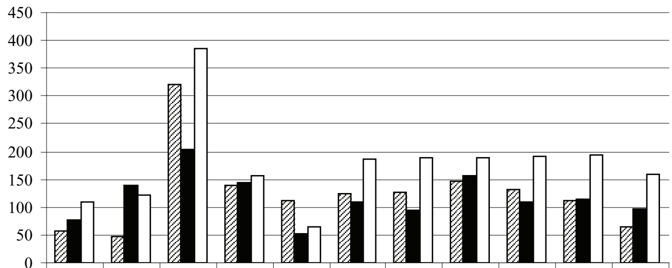
Figure 3: League of Nations' tariff indices (*ad valorem*) in 1925 (1913=100)



	Austria	Belgium	Czechoslova	Denmark	France	Germany	Hungary	Italy	Netherlands	Spain	Switzerland
Manufactured goods	88,89	166,7	150	71,43	105	153,9	150	122,2	150	100	155,6
All goods	66,67	133,3	105,6	66,67	66,67	100	127,8	100	133,3	133,3	157,1

Source: League of Nations, Commercial Policy in Inter-war period, p. 15.

Figure 4: Liepman's Tariff indices (*ad valorem*) for Foodstuff, Semi-Manufactured



	Austria	Belgium	Bulgaria	Yugoslavia	Poland	Czechoslovakia	Germany	Switzerland	Romania	Italy	France
Foodstaff	56,7	46,27	319,83	138,29	112,5	124,74	125,69	146,26	131,41	111,36	65,41
SMG	76	138,16	204,54	143,6	52,28	108,5	94,77	157,53	108,67	114,4	96,05
IMG	108,8	122,1	384,61	155,55	65,41	185,49	190	189,25	190,2	193,83	158,28

Goods (SMG), and Industrial Manufactured Goods (IMG) in 1927 (1913=100)

Source: Liepmann, Tariff Levels and Economic Unity of Europe, p. 413. Some of the aforementioned measures were linked to the extremely bad global monetary and fiscal situation: while high tariffs could help increase fiscal revenues, barter arrangements appeared as the only way of exchange between countries whose economies were provided with unconvertible inflationary banknotes. Particularly harsh restrictions against the importation of manufactured and "luxurious" goods were imposed by the pan-European program of economic reconstruction, and the industrialization of underdeveloped and mostly rural economies of European periphery. How global changes in trade policy and trade regimes affected commercial policies in the four countries will be presented in the following chapter.

Pre-1918 traditions of Bulgaria and the state predecessors of Czechoslovakia, Yugoslavia and Poland

State involvement in foreign trade was by no means a novelty for industrialists and merchants in Polish territories. This was particularly true for the Russian Partition (of the post-war Poland) which witnessed the introduction of the world's most protectionist system; created using the economic ideas of the famous chemist Dmitri Ivanovič Mendeleev, it was fully applied throughout 1890s in the era of the Minister of Finance, count Sergei Witte.[15] The tariffs imposed both for protectionist and fiscal reasons surpassed, in the degree of taxation, any known system of that time. In 1913, these amounted to 85 percent (ad valorem) for industrial goods, 69.4 percent for foodstuff and 63.5 for semi-manufactures. This tariff umbrella helped the development of Russian heavy industry, situated mainly in what would later become Poland. On the other hand, due to such a strong protectionist system, the Russian Partition was almost entirely disconnected from the economic systems of the Austrian and German partitions. According to Polish economist Henryk Tennenbaum, no less than 90 percent of exports from the Russian Partition went to other parts of Russia, while around 58 percent of partition's imports came from the rest of the Empire before 1914.[16] The German Partition traded predominantly with the rest of Germany; it accounted for 77 percent of the partition's exports and 80 percent of its imports.[17] For these reasons, during and after the war the Polish economy suffered immensely from the loss of export markets.

Bulgaria was inclined towards industrial protectionism from its very beginnings as a semi-independent country. The problem was that its limited sovereignty, as provided by the 1878 Treaty of Berlin stipulations, did not include the freedom of introducing its own tariffs system. Bulgaria was to maintain quite a liberal Ottoman tariff system which applied a universal 8 percent (ad valorem) taxation on all imported goods. Bulgaria became a completely independent country only in 1908, yet in terms of foreign trade, the process of emancipation

15 Vincent Barnett, A *History of Russian Economic Thought*, London and New York, 2005, pp. 63–64.

16 Quoted in: Zbigniew Landau, Jerzy Tomaszewski, *Gospodarka Polski międzywojennej 1918–1939. W dobie inflacji 1918–1923 I*, [Economy of Interwar Poland 1918–1939. Inflation Era 1918–1923, I] Warszawa, 1967, p. 323. If not indicated otherwise, the data and analysis from Landau and Tomaszewski's book will be applied here for the reconstruction of the developments in the Polish trade policies.

17 *Ibid.*, p. 324.

from the Ottoman tariff system was ongoing throughout the period. Regardless of the Berlin Treaty, Bulgarian authorities were gradually raising tariff protections: by 1894 the universal tariff was 10.5 percent, and by 1896 – 14 percent. In 1904, the Bulgarian Parliament established the first national tariff system which replaced previous universal taxation on imports.[18] It proved to be among the most protectionist countries in pre-war Europe. For certain goods taxation was as high as 50 percent (ad valorem), and in several exceptional cases even up to 100 and 150 percent.[19] On average, according to Liepmann's calculation, Bulgarian taxation ranged between 19.5 percent for industrial goods and around 24 percent for foodstuff and semi-industrial products.[20]

The pre-war Kingdom of Serbia had an exciting history of struggling for its tariff emancipation from Austro-Hungarian economic tutelage. In the history of European protection tariffs this episode is well-known as "The Pig War", since pig livestock constituted an important share of Serbia's exports to Austria-Hungary. The tariff (1906–1911) war was provoked by the Dual Monarchy's desire to maintain the dominant position on the Serbian domestic market. Statistically this dominance accounted for no less than about 85 percent of Serbian exports and imports at the beginning of 20th century. However, from 1904 on, Serbia began seeking other economic partners and trade arrangements in Europe. In order to halt the course of events Habsburg authorities introduced a ban on the importation of Serbian goods which, as has already been mentioned, mainly consisted of pig livestock. This was a successful method in many similar previous situations; this time, however, Serbian authorities decided to fight the Austro-Hungarians by raising tariffs on manufactured goods to quite a high level. In addition, Serbian exports were redirected towards new markets in Germany, Egypt, Turkey, Belgium, and some other European countries. Instead of livestock, Serbia began exporting meat products, grain and even some semi-manufactured goods.

A high protective tariff of around 18 percent (ad valorem average for semi-manufactured and industrial goods) facilitated the influx of capital investment to Serbia. The overall number of industrial enterprises increased more than fourfold after 1906; the tariff conflict proved to be beneficial for the Serbian economy.[21] Apart from Serbia and Montenegro, the newly created Yugoslav state was composed of former Austrian and Hungarian provinces of the Habsburg Monarchy. The industrial entrepreneurs based in these provinces enjoyed the protection of even higher tariffs of around 20 percent. On the other hand, Serbian protection of agricultural production was significantly higher than that applied by the Dual Monarchy (31.6 against 29.1 percent ad valorem). Yet, no domain of tariff protectionism in the Dual Monarchy,

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18 Динко Тошев, *Принос за изучаване на индустриалната политика на България от Освобождението до Балканската война* [Dinko Tošev, *A Contribution to the Study of Industrial Policy of Bulgaria from the Liberation to the Balkan Wars*], Varna, 1941, pp. 140–158; Bairoch, *op. cit.*, p. 80; Рахам Берахов, *Индустриалният протекционизмъ у нас* [Our Industrial Protectionism], Sofia, 1927, pp. 40–53.

19 Тошев, *Принос*, p. 156.

20 Liepmann, *op. cit.*, p. 413.

21 Димитрије Ђорђевић, *Царински рат Аустро-Угарске и Србије: 1906–1911* [Dimitrije Đorđević, Tarrif war between Austria-Hungary and Serbia, 1906–1911], Beograd, 1962; Mari-Žanin Čalić, *Socijalna istorija Srbije 1815–1941*, [Social History of Serbia 1815–1941], Beograd, 2004, pp. 157–160.

Bulgaria, and Serbia, is comparable to the level of protective taxation imposed by Russian authorities prior to 1914. We will proceed to present how foreign trade in Bulgaria and in the territories of what would become Czechoslovakia, Poland, and Yugoslavia, were affected by global warfare.

Apart from the Kingdoms of Serbia and Montenegro (in the period between the outbreak of the war and the defeat and occupation of these countries by the end of December 1915), territories in all four countries during the war were mainly under control of the Central Powers, and thus affected by severe trade restrictions, and also by maritime and continental blockades imposed by the Entente Powers. On the other hand, during the first phase of the war in Serbia, its population was quite well provided with all kinds of commodities from Greek ports, and by its French, Russian, and British allies. After the Bulgarian army launched its offensive and occupied this part of Serbia, capturing the Serbian town of Niš in October 1915, a Bulgarian contemporary, Hristo Mutafov, was amazed at the quantities of high-quality imported merchandise, stored in shops and inventories there. Let us read the first-hand impressions of Mutafov, then a Bulgarian soldier:

"While we were entering Niš we thought we would find ourselves in a devastated town without any supplies of goods, foodstuff, clothing etc. Yet, we were wrong as the French and English took extra care of their allies. Inhabitants were quite nicely supplied with all necessities. They are well dressed, well fed; they did not even lack the opportunity for extravagancies. Great quantities of chocolate, all sorts of candies, lokums, and tobacco were displayed on the streets for sale; in some shops – good cognacs, vines, food delicatessens, etc. – are offered for a high price".[22]

However, the well-being of Serbian citizens, as documented by an enemy soldier, was not to last. After the joint German-Bulgarian and Austro-Hungarian military operation was successfully brought to an end (by the beginning of 1916), all Serbian territories were occupied and integrated into the system of the Central Powers' autarchic war economy. The populations and territories of all four countries, for the most of the time during the war, consequently, were within the same or similar wartime situation. Correspondingly, the basic trade conditions and policies imposed on all the four countries' territories appear to be very similar at least to the extent of a malfunctioning of the system and its main institutional features. These similarities were maintained by inertia during the first post-war years. To a great extent this initial period was marked by unorthodox measures applied with an aim to either restrict or control foreign trade.

The four countries' tariff barriers[23]

Apart from the unconventional ways of restricting interstate trade circulation, the four countries introduced or proceeded with conventional tariff barriers. Since the tariff systems of all the countries under study applied taxation in nominal amounts (rather than ad valorem), much of the expected fiscal revenue

22 Христо Мутафовь, *През Сърбия, Вь походь сь 9-та дивизия* [Hristo Mutafovă, *Through Serbia, on the March with 9th Division*] Sofia, 1916, pp. 94–95.

23 The term "tariff barriers" applied in this subsection only refers to import tariffs. The export tariffs, i.e. export taxes and export duties will be considered as non-tariff measures.

depended on the monetary developments in these countries.[24] From this point of view, the outcome of the national tariff systems could be perceived differently in the period of post-war hyperinflation and in the following period of currency stabilization. We will proceed to present how the tariff system developed from country to country and how it affected trade performance of these countries, especially when compared to the pre-war situation and the tariff system which were then in force.

In the technical terms, the Yugoslav tariff policy at the very beginning of the state existence depended on the efficiency of the establishment of the custom service and border controls. A complete procedure of taxation of goods could hardly be applied in the chaotic circumstances immediately after the proclamation of the new state. When the dues were levied on goods they were implemented according to either the Serbian or Habsburg system, and both depended on the location of the customs office. On February 1919, the Serbian tariffs were established for the entire territory of Yugoslavia. When the Finance Minister Momčilo Ninčić was asked in the Yugoslav Parliament to give an explanation for this decision, he pointed out the fact that the pre-war Serbian tariffs' system was "more protectionist in domain of agriculture, than the Austro-Hungarian one".[25] Very soon, however, extreme rates of post-war inflation diminished any significance in the differences outlined between these two tariff systems. Since the tariffs were designated as a nominal sum of money, there was no other way of maintaining real taxation rates other than to increase nominal banknote charges in accordance with the domestic currency devaluation. According to the data from the Yugoslav Ministry of Finance, it is apparent that the state was losing the race with inflation for the period 1919–1924. The average tariff taxation in this period ranged from 2.30 (in 1919) to 11.80 percent in 1922, while the minimal Serbian pre-war tariffs were between 19 (for industrial) and 31 percent (for agricultural goods).[26] One would say that the inflationary chaos actually created a more liberal trade environment than the one before the war. It would be true of course only if the non-tariff measures were not taken into consideration. One should also keep in mind that the high rates of inflation at the same time hindered the ordinary use of money as a means of payment in interstate trade, and degraded much of commerce to the level of bartering arrangements.

Another relevant issue connected with the rate of taxation of imports is related to the human infrastructure, i.e. the quality of the customs personnel. An

24 A detailed "Report on the Work of the Ministry for Trade and Commerce" will be used 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 second half of 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: AJ, Collection of Vojislav Jovanović - Marambo (335)–99.

25 In: *Stenografski dnevnici Privremenog narodnog predstavništva*, Beograd, 1919, p. 358.

26 Ministry of Finance's reports on tariffs revenues 1919–1927. In: AJ, 81–1–1.

unsuccessful attempt of imposing ban "on luxury items imports" in 1920 provides us with an illustration of the administrative constraints that were very similar to those experienced in the procedure of the licensing imports contingents. The Yugoslav authorities imposed this ban with an aim to prevent the outflow of hard currency from the country. Much of this aim might have been achieved if only the custom officials had been more trustworthy. Milan Stojadinović, an economic expert, and later Yugoslav Minister of Finance and an important figure in state policy during the 1930s, explained the developments after the official ban was introduced:

"The importation of forbidden goods carried on uninterrupted, not openly but through smugglers' routes, with payment of bribes, instead of customs charges. This ban did not compel us to discard luxury goods, but it was spreading corruption; it did not teach us to economize ourselves, but it was increasing our expenditure as the prices for forbidden goods plunged up. Since the luxury goods were being imported uninterruptedly it was natural that the demand for hard currency for these payments still existed. The state revenues, instead of enjoying benefits of good exchange rates were additionally crippled by decreased customs returns caused by smuggling".[27]

In October 1920, the State finally abolished the imports ban on luxury items; in its place, a moderate customs charge of about 10 percent (ad valorem) was introduced. Since the charge was moderate there was no reason for domestic traders (i.e. smugglers) to avoid legal means of importation. Just as in the case of the exports licensing system, the state had given up hope of imposing complete control over trade affairs. In both cases it chose rather to impose a feasible level of control which would correspond to the actual capacities of its administrative apparatus. Stojadinović was very much in favor of such a realistic approach to the trade controls. However, in his article he underlined that the policy of trade prohibitions still had supporters in Yugoslav public and policy: "It comes from the fact that we are still much more dedicated to the theory than to the reality, and that we forget the circumstances of our society, and the very fact that the [current] organization of our institutions are still quite far from the one that should exist in one [organized] state."[28]

The unsettled fiscal and monetary situation in Yugoslavia lasted up to mid-1925 when the national currency (Dinar) was finally stabilized. In the domain of trade affairs it was marked by a confused and disorganized state intervention in tariff management and in the domain of trade. The degree of tariff taxation and commercial regime (free, contingent restricted or completely prohibited exports/imports for certain goods) could change monthly or even weekly depending on various domestic or foreign influences. At the same time, many exemptions from tariff payments and exceptions from the trade bans in individual cases undermined the foundations of the very system of control. Much of these anomalies came from the fact that almost the entire body of law and regulation in this domain was both decreed and administered by the country's executive power. The extraordinary post-war circumstances contributed to the fact that Parliament had no influence on tariff and trade policy at all. Furthermore, some of the institutions created by government

27 Милан Стојадиновић, „Ограничење увоза" [Milan Stojadinović, "Export Restrictions"], *Политика,* November 9, 1920.

28 *Ibid.*

had never been made operational, or even created. The Consumers' Cooperative for Imports provides a relevant example. It had been designated in November 1919 as a state institution with an aim to bridge the gap between consumers' and traders' interests. The contingents of foodstuffs could leave the country only with the consent of the consumers' cooperative associations. One would never discover the mechanics of the negotiations between commercial and consumers' interests, since the institution, although decreed, had never been created in practice.

The taxation rates of the Yugoslav tariffs system could not have become stable and predictable before the national currency had become stable. When it finally happened in 1925, new tariff items and tariff charges were decreed by the government. On average, the tariffs charges were around 35 percent (ad valorem), with an excessive charge on foodstuff (44 percent). Semi-manufactured and manufactured goods were charged with 25 and 28 percent respectively. This could be considered as moderate taxation if compared with the most protectionist European countries, where it reached double or more in comparison with Yugoslavia's taxation level. However, this was a considerable increase compared to the previous inflationary period when the actual tariff charge was not higher than 15 percent (ad valorem). Apart from the new tariffs, Yugoslav trade policy still relied on bans and export tariffs up to the end of period under review (1928); yet these measures had increasingly less impact on the overall Yugoslavian trade policy.[29]

There are noteworthy similarities between the developments of the Polish and Yugoslav trade policies. The Polish tariff system, in its formative period, maintained the three different systems of its predecessor states (German, Austro-Hungarian and Russian), just as Yugoslav officials maintained the Serbian and Austro-Hungarian systems. The only exception in the Polish case was foreseen for the trade arrangements with the Entente Powers. In this particular case, namely, the German tariff system (so-called Hindenburg tariffs) was applied, since it was the most moderate among Polish tariffs. Yet, when the first Polish "temporary tariff system" was inaugurated in November 1919 it was based on the Russian, highly interventionist model, again this was similar to the Yugoslav model that followed the more interventionist Serbian tariff system.

The problem with collection of the Polish tariffs incomes, as in Yugoslavia came from inadequate customs personal and a constant devaluation of national currencies during the period of post-war inflation. It was estimated by contemporaries that around 90 percent of all Polish foreign trade in 1919 was carried out without licenses, i.e. illegally. With regard to the problem of ever decreasing revenues from the tariff taxation, the same technique of multiplying basic tariff amounts was applied in Poland, and with similarly bad results, as in the case of Yugoslavia. Contemporary analysts from the period agree that there is no competent method of calculating average percentage (ad valorem) tariff income as foreseen by the 1919 legislation. They all agreed merely that the real sum was much smaller than the one indicated by real prices in 1919. One way or another, it is apparent that non-tariff measures played an important role in Polish trade policy during the "first provisory tariffs" (1919–1924).

29 Milan Becić, *Finansijska politika Kraljevine SHS*, [Financial Policy of the Kingdom of SCS], Beograd, 2003, pp. 90–94.

In June 1924, after the introduction of a new national currency, a new Polish tariff system was also introduced, in attempt to replace all non-tariff measures. It was again based on the Imperial Russian model. Nominal tariff taxation was increased; yet again due to the prolonged inflationary increases these amounts did not represent a serious protectionist barrier until the official stabilization of the zlot in 1927. When the tariff war with Germany started an overall state control and licensing system was reintroduced and remained part of the official Polish trade policy until the end of the period under research.

The tariffs system and customs procedure in the newly created Czechoslovakian state was based on the administrative personnel and regulations of the former Dual Monarchy trade policy. Primarily this refers to the 1906 Austro-Hungarian tariff system, which remained in use in Czechoslovakia with modifications introduced during the war.[30] One of the peculiarities of the Czechoslovakian monetary policy when compared with those of other countries under review was the slower pace of inflation which contributed to maintaining a higher real level of tariff protection during the first half of 1920s. Actually from 1922 onwards, the Czechoslovakian koruna was one of the most stable currencies in Europe. Yet, the authorities did their best to maintain and even to increase the pre-war parity of their tariff revenues. At the beginning, the nominal rates of the Austro-Hungarian tariff system were multiplied in accordance with rates of inflation.

From May 1921 on, a new system of "tariff coefficients" was introduced by applying different scales of increase depending on the level of projected protection.[31] The heaviest burden was placed on luxury and industrial items, and the most moderate were on raw materials which were necessary for domestic industries. In this way, not only was the Austro-Hungarian tariff system revalued, but it was also modified in order to serve the interests of the Czechoslovakian economy. On January 1922, the coefficients were increased significantly, which, combined with good monetary conditions, resulted in much better results in terms of fiscal revenue, than those achieved by the customs services of the other three countries. For instance, on January 1922, the pre-war tariff rates levied on manufactured goods were increased by 15 to 30 times. Since the Czechoslovakian Koruna by that time retained about 10 percent of the pre-war parity of the Austro-Hungarian Krone in gold, the real tariff increase was between 50 to 100 percent, and even in some exceptional cases no less than 200 percent (or threefold higher) above the pre-war level.[32] At the same time, the corresponding rates for Bulgaria and Yugoslavia were at about half the pre-war level. Yet, regardless of the fact that the level of tariff protection was so high, the Czechoslovakian authorities also maintained the licensing system to control imports from abroad. As already mentioned in the previous subsection, it remained in use for the majority of products until the mid-1920s.

During the first half of 1920s the Czechoslovakian tariff policy was quite benevolent towards the import of foodstuff and agricultural products. This was

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30 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,* no. 7 (2007), p. 369.

31 *Ibid*.

32 Ferdinand Peroutka: "The Commercial Policy and the Tariff", *Czechoslovakia: A Survey of Economic and Social Conditions*, (ed. Josef Gruber), New York, 1924, pp. 135–136.

especially true for the immediate post-war period that was marked by scarcity. Later on, the principle was accepted that the foodstuff imports would be allowed for basic necessities, and only for those items which were not available on the domestic market. The governments' logic was that there should be no additional tariff charges on these necessities. If these had already been allowed to enter the country for the sake of maintaining social peace, and it would be utterly counterproductive to burden consumers with additional taxes.[33] This attitude changed in 1925–1926 when protectionist coefficients were also applied on agricultural products. This resulted in a somewhat protectionist trade policy. According to the Liepmann indices, the tariff taxation on foodstuff and industrial products was around 36 percent (ad valorem).[34]

In Bulgaria, as well as in the other three countries, tariff policy management depended heavily on national currency monetary developments. The basic indexes of the pre-war 1904 tariff were tuned in accordance with the national currency depreciation during the war. In the period between 1918 and 1922 this new index was being consecutively increased by up to 15 (pre-war level = 1).[35] Nevertheless, the actual level of tariff protection was sliding downward, not only due to the rapid rates of inflation but also as a result of the subsequent interventions in the country's economic policy by the Inter-Allied Control Commission (IACC), an institution installed in Sofia according to the provisions of the Treaty of Neuilly of November 1919.[36] The commission was in charge of the fulfillment of the peace treaty obligations accepted by the Bulgarian government; however, its interference in domestic affairs went much further, especially in the domain of monetary and trade policies. For instance, the IACC quite decisively opposed the harshening of trade barriers and protectionism at the time of the Agrarian government. Bulgarian economic historian Rumen Avramov wrote about one of the arguments that broke out over the tariffs issue. For example, in 1921 the commission stood up against revaluation of the nominal tariffs amounts planned by the Bulgarian government in November that year. The Treaty of Neuilly indeed forbade Bulgaria from increasing tariffs above the 1914 level, but only for a period of one year after its official enactment (i.e. between August 1920 and August 1921), and the above mentioned case was ongoing after the expiry of this provision.

According to Avramov, by that time, the exchange rate of the Bulgarian national currency had already been decreased by 28 times, while the (pre-war) nominal tariff rates were only multiplied by a coefficient of 12, which means that the real price of tariff taxation fell to about 43 percent of the pre-war ad valorem value.[37] According to the Liepmann's calculation, the Bulgarian tariff rates (*ad valorem*) in 1913 were between 20 (for industrial products) and 25 percent (for the foodstuff

33 *Ibid*., p. 131.

34 Liepmann, *op. cit*., p. 413.

35 Динко Тошев, *Индустриалната политика на България след първата светвна война* [Dinko Tošev, *Industrial Policy of Bulgaria after the First World War*], Varna, 1943, p. 67.

36 On the commercial constraints imposed on the Bulgarian government see: Димитър Николов и Богдан Кесяков, *Ньойски договор* [Dimităr Nikolov and Bogdan Kesiakov, Treaty of Neuilly] Sofia, 1999), pp. 38–66; Берахов, *op. cit*., pp. 59–60.

37 Румен Аврамов, *Комуналният капитализъм. Из българското стопанско минуло* (I) [Rumen Avramov, Communal Capitalism. From Bulgarian Economic History, I], Sofia, 2007, pp. 587–588.

and semi-manufactured goods), which means that an average (ad valorem) tariff taxation in Bulgaria 1919–1924 was between 8 and 10 percent. These rates are even smaller than those estimated by the Yugoslav authorities in inflationary period between 1919 and 1924. Due to pressure coming from the IACC Bulgaria could not maintain its tariff policy. Similar limits in the domain of trade policy were imposed on Germany, another country defeated in war. The western liberal countries could not impose such a recipe for the trade policies of (more or less) new sovereign states in the economic periphery (Poland, Romania, Czechoslovakia, and Yugoslavia) in the 1920s, but they could try this approach in countries whose sovereignty was being limited by the prescriptions of peace treaties. The aforementioned successor states of Austria-Hungary did not even ratify the conclusions of the Portoroso Conference of 1920, which aimed at the normalization of foreign trade between them.[38]

The IACC was eager to preserve this artificially created moderation by opposing attempts at increasing tariff rates. In spite of the opposition, the Stambolijski government introduced a new tariff system in April 1922. While in Yugoslavia and Czechoslovakia, the new tariff systems only came into practice after a final consolidation of their national currencies, in Bulgaria it was inaugurated in the midst of the inflationary crisis in 1922. The tariff system was extremely protectionist, yet the high rates of taxation were not easy to maintain due to the ever rising dynamics of inflation. According to Dinko Tošev's data, the tariff coefficient that was applied by customs officials was constantly lagging behind the official rate of inflation. For instance, in October 1922, the coefficient was 15, while the official exchange rates of the Lev banknotes (related to the gold standard) was 32.30.[39] Thus, only around half of the projected revenue could have been collected from tariffs. The real effects of the tariff protection came only in 1926 with the final stabilization of the Bulgarian currency. From that time on, Bulgarian trade policy almost entirely depended on tariff measures in the domain of control over imports. Yet, in the domain of export controls, the export taxation in the form of an official tariff system was maintained by the end of period, as in the other three countries.

Conclusion

The trade restrictions triggered by the First World War proved to be the most significant war-related upheaval in the prosperous system of 19th century capitalism. While it could take years before scholars could contemplate how the breakdown of the global labor market had affected the global economy from 1914 onwards, in the case of trade constraints the consequences became apparent almost immediately after the war broke out. The constraints placed on inter-state circulation of goods were simultaneously applied in domestic trade by belligerent, as well as by neutral countries, globally. The overwhelming state intervention in the affairs of trade continued even after the war, in spite of the fact that it proved counterproductive. In Europe, the situation became even more complicated after the new nation-states were established in its fragile economic periphery. Not only

38 Findlay and O'Rourke, *op. cit.*, p. 443.

39 Тошев, *Индустриалната*, p. 67.

were the number of national tariff systems increased (from 20 to 27) and the length of inter-state borders was extended by 20,000 km, but also a variety of new and unorthodox measures and concepts of trade protectionism emerged.

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 even before the war Bulgaria and the predecessors of Yugoslavia, Czechoslovakia, and Poland were notable among European countries for the high protective tariffs. After the war, Bulgaria, Yugoslavia, and Czechoslovakia further increased tariff protections especially in the domain of industrial goods. According to the Liepmann indices, by 1927 ad valorem taxation in this domain went as far as almost four times that of the 1913 level in Bulgaria, and almost twice as high as in Czechoslovakia. Only Poland's taxation levels decreased (for semi-manufactured and industrial goods) relative to the pre-war Russian tariffs system, which was so rigorous that it almost equated to an official ban on those items.

However, the full extent of tariff taxation could have been imposed only after the monetary stabilization of the four countries' national currencies. In Czechoslovakia it happened in 1922, in Yugoslavia in 1925, in Bulgaria in 1926, and in Poland only in 1927. In the meantime, the four countries applied a range of non-tariff measures of administrative control over foreign trade. Among these, the most prominent became various licensing schemes in a range of import controls, and a broad application of export taxation dues and quota contingents in the export trades. The most intensive system of tariff protection one finds in Bulgaria, where almost all non-tariff measures were removed after the stabilization of the lev. Poland, on the other hand provides the combined model of a high tariff protection and licensing system, which functioned throughout the period under review. With respect to their administrative features, and in all areas of applied policies, these were among the most interventionist among the European countries (Russia excluded).

According to Liepmann's indices, the Bulgarian (ad valorem, 1927) tariff on foodstuffs were around four times higher than the French and German ones; the Polish tariff taxation was more than three times higher than the corresponding French and German data; the Yugoslav was around two times higher; the Bulgarian tariffs on industrial goods was around three times higher than in France and Germany, etc. In addition to the high rates of tariff taxation, these countries also applied a broad range of non-tariff measures, which additionally complicated the inter-state circulation of goods. Their own economic prosperity was affected by subsequent reciprocal measures applied by trade partners' countries. This was particularly true in the Czechoslovakian case, since its economy was by far the most advanced among the four countries, and much more sensitive to abrupt changes in trade regimes. The other three countries, particularly Yugoslavia and Bulgaria were at the very beginning of their industrial development, and the protectionist schemes were an obvious choice for their governments in trade policy. Given the fact that the global economy, affected by the disastrous consequences of the war, the lack of substantial investment, and the deflationary policies in the second half of 1920s, could not provide them with business incentives, it is difficult to envision an alternative solution. One way or another, the four countries under study contributed immensely to the deglobalization of the international trade market in the interwar period.

Резиме

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Деглобализација на периферији
Царински протекционизам у југоисточној и источној средњој Европи 1914–1928.

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

Глобални систем рестрикција у међународној трговини, као последица насиља Првог светског рата, указује се као један од најзначајнијих поремећаја у систему просперитетног капитализма 19. века. Ограничења у промету робе успостављена на међудржавном нивоу истовремено су примењивана и на домаћем тржишту, најпре у земљама учесницама ратних сукоба, а потом и у неутралним државама које су такође трпеле последице рата. Значајна државна интервенција у домену међународне трговине, иако у основи неуспешна и контрапродуктивна, продужена је инерцијом и на период после рата. У Европи, ситуација је постала још компликованија када су основане нове националне државе на простору њене економске периферије. У новим околностима број националних тарифних система у Европи је порастао са 20 на 27, а дужина међудржавних граница увећана је за 20.000 км; такође, низ нових и неуобичајених мера и концепција трговинског протекционизма постао је свакодневица међународне трговине у првој деценији после рата.

У европским размерама, власти четири државе које су предмет истраживања ове студије демонстрирале су највиши ниво државне интервенције како у погледу степена царинске заштите тако и примене неконвенционалних (тј. нецаринских) мера трговинског протекционизма. Високе заштитне царине биле су значајна одлика трговинске политике у предратној Бугарској и у земљама претходницама Југославије, Чехословачке и Пољске. После рата, Бугарска, Југославија и Чехословачка још су додатно увећале степен царинске заштите домаћег тржишта, посебно у домену индустријских производа.

У техничком смислу, пун обим тарифног опорезивања могао је бити заведен тек након монетарне стабилизације националних валута четири земље. У Чехословачкој је национална монета стабилизована у 1922, у Југославији 1925, у Бугарској у 1926, а у Пољској тек у 1927. У међувремену, четири земље примењивале су низ нецаринских мера административне контроле спољне трговине. Међу њима, најпознатије су постале мере које су подразумевале издавање посебних дозвола за појединачне контингенте робе у увозу или извозу; широко су биле заступљене и извозне царине и систем

одобрених увозних и извозних контингената. Најинтензивнији систем царинске заштите био је заведен у Бугарској, где су након стабилизације лева уклоњене скоро све нецаринске мере. У Пољској је, с друге стране, модел високих заштитних царина комбинован са системом дозвола до краја двадесетих година прошлог века.

По питању административне рутине, као и у свим областима примењене политике, пољски и бугарски модели протекционистичке политике одликовали су се највећом мером државне интервенције међу европским земљама (изузев СССР-а). Рестриктивна политика и реципрочне мере које је изазивала компликовале су функционисање националних економија. Ово је посебно тачно у случају Чехословачке, јер је њена економија била далеко најразвијенија и извозно оријентисана, стога и много осетљивија на нагле промене трговинских режима. Остале три земље, посебно Југославија и Бугарска, биле су на самом почетку свог индустријског развоја, а протекционистичке шеме биле су изгледа очигледан избор њихових влада у трговинској политици. С обзиром на то да је глобална економија била погођена последицама ратних разарања и дефлаторне политике у другој половини 20-их, узимајући у обзир и да на економској периферији Европе није било суштинских страних инвестиција, тешко је замислити алтернативно решење на нивоу државне политике. Неоспорно је да су четири земље које су предмет студије у значајној мери допринеле тренду деглобализације међународне трговине у међуратном периоду.