

Eötvös Loránd University
Faculty of Humanities
Doctoral School of History

Anglo-Hungarian Relations, 1944–1956

Gyula Hegedüs

Abstracts of the PhD-thesis

Budapest, 2011.

1. The aim of the research

The aim of the thesis is to explore the relations of Hungary and the United Kingdom in the period from September 1944 to July 1956, beginning with the circumstances of the creation of the Armistice Agreement and closing with the signature of the Anglo-Hungarian financial and trade agreements. As this long period is abundant in historic events both in international politics and Hungary which had their impact on Anglo-Hungarian relations, the thesis focuses on a selection of themes and periods.

The relations of the two countries are examined in the framework of international relations, and it is investigated how Anglo-Hungarian relations were in compliance with the general policy of the UK concerning Eastern Europe. It is also discussed when British foreign policy-makers accepted the fact that Central and Eastern Europe would inevitably become part of the Soviet sphere of influence for the following decades. It is also explored how certain events in world politics such as the development of the Cold War, the foundation of the NATO and the signature of the Warsaw Pact, the Korean War, the détente after Stalin's death, and the Geneva summit all affected bilateral relations.

Anglo-Hungarian economic relations are given a special emphasis in the thesis. Not only because historical research has largely ignored this field, but also because this is an area where a surprisingly good relationship can sometimes be noticed between the two countries, even in periods when Cold War logics and rhetoric prevailed in everyday communication, the press and political speeches, and even in official diplomatic contacts.

2. Findings of the research

(1941–1944)

While giving an overview of the antecedents of the discussed period, a more detailed account is given about the British declaration of war on Hungary, especially Secretary of State Anthony Eden's memorandum of 11 September 1941, which was submitted to the War Cabinet. The document contains some remarkable statements, especially concerning post-war settlement. It alludes, albeit vaguely, to the possible modification of the Czechoslovak–Hungarian border, but recommends to attach the entire territory of Transylvania to Romania. After the declaration of war, the Hungarian Government sought contact with the British Government in 1943. The history of these secret, and eventually unsuccessful, talks is well-known from historical research. From 1943 on, the Foreign Office dealt with the questions of post-war settlement and possible Soviet behaviour more and more frequently. A number of foreign policy experts in London already saw that the Soviet Union would impose its social and economic system on the countries under its occupation after the war. Churchill and Stalin divided the Eastern part of Europe into spheres of influence in October 1944, and, although this agreement was not an official international treaty, and neither of the parties referred to it later, both great powers implemented their policies in Eastern Europe more or less along the lines of the “percentages agreement”. At the end of World War II, Hungary was occupied by the Soviet army, and this fact had a profound impact on her relations with the United Kingdom.

(1944–1947)

The period between 1944 and 1947 was determined by the fact that the two countries were enemies during the war, and Hungary was regarded in London as an “ex-enemy” country. Moreover, Hungary was not sovereign in this period. According to the Armistice Agreement, the Soviet Union, the United States and the United Kingdom controlled the enforcement of the terms of the Armistice through the Allied Control Commission (ACC) until the Peace Treaty came into force. All the three great powers were involved in the work of the ACC, but the authority of the Western missions was restricted, and thus the Soviet Union had the opportunity to intervene in Hungarian domestic affairs through the ACC on

many occasions. Those members of the Hungarian political elite who were worried about the expansion of the Soviet Union and the Hungarian Communist Party, trusted in the help of the Anglo-Saxon powers, and hoped that the United Kingdom would actively intervene and help the anti-Communist political forces in Hungary. However, British foreign policy, which had earlier recognised Hungary as part of the Soviet sphere of influence, was unwilling to support any political parties directly. The thesis gives an overview of the operation of the British military mission of the ACC as well as activities of the British political representative in Hungary.

In the period of “peace preparation”, the Hungarian Government strived to obtain Britain’s help. The two most important points of the Hungarian peace aims were the modifications of the Hungarian–Romanian, and, possibly, the Hungarian–Czechoslovak borders. The Hungarian Ministry for Foreign Affairs did not attach much hope to the latter, as the great powers regarded Czechoslovakia as a “victor power”, and one of the first victims of Hitler’s aggression. Moreover, after the Czechoslovak–Hungarian population exchange agreement of 1946, Prague tried to obtain the consent of the great powers for the expulsion of 200,000 Hungarian nationals. One of the most important aims of Hungarian foreign policy was to prevent this.

In April 1946, a British parliamentary delegation visited Budapest in order to collect information about Hungarian domestic policy, the economic situation and the living conditions in the country. The unanimous report of the delegation provides an interesting picture about Hungary. Some weeks later, the Hungarian question was brought up at the debate on foreign affairs in the House of Commons. Several Members of Parliament expressed their disappointment at Ernest Bevin’s support of the decision of the Council of Foreign Ministers on 7 May, when the three great powers restored the Trianon borders between Hungary and Romania. During the debates, some MP’s showed a remarkable knowledge about and interest in the Hungarian question, and a heated argument developed about the assessment of Hungarian domestic policy, the role of the Soviet Union in Hungary and the terms of the peace treaty to be concluded with Hungary. The thesis gives an account of the report of the parliamentary delegation and the debates about the Hungarian question in the House of Commons.

In June 1946, following a visit in Moscow and Washington, a Hungarian governmental delegation led by Prime Minister Ferenc Nagy travelled to London. The delegation had the opportunity to talk to Prime Minister Clement Attlee, several Foreign Office officials and representatives of the Board of Trade. They also met with Secretary of State Ernest Bevin in Paris. These talks (which are discussed in detail in the thesis, based on documents from Hungarian and British archives) were not successful: the British government flatly refused the modification of the Hungarian–Czechoslovak border, and in the question of the borders with Romania, they recommended bilateral negotiations. The thesis gives an overview of the Paris Peace Conference, mainly from British perspective, focusing on the Hungarian Peace Treaty. As the most important questions had already been decided by the Council of Foreign Ministers, only some minor modifications were made to the draft peace treaties. The British delegation, as it had been expected, did not support the Hungarian requests. The only success of the Hungarian diplomacy was that it managed to prevent the expulsion of 200,000 Hungarian nationals from Czechoslovakia.

The British reactions to some more important events in Hungarian domestic policy are also discussed in this chapter. An especially significant event was the parliamentary elections of 1945, which the British Government recognised to have been democratic. This greatly contributed to the fact that Hungary was eventually treated differently from Romania and Bulgaria, the governments of which had been created under Soviet pressure, and were not recognised as representative by Britain.

In Anglo–Hungarian relations the most important difficulties in this period were caused by the Hungarian Land Reform, when the estates of some British subjects were confiscated and distributed among the peasants. Claims by the former British landowners were on the agendas of Anglo–Hungarian talks from 1949 on, and were only settled by the financial agreement of 1956. Anglo–Hungarian economic relations revived after 1945. Hungarian food exports to the UK resumed in 1946, and the two governments signed a trade agreement for three years. In this period the United Kingdom was the third most important foreign trade partner of Hungary, after the Soviet Union and Czechoslovakia. There were several British-owned enterprises in Hungary (Shell, Dunlop, Unilever, etc.), which resumed production after the war.

(1947–1949)

A unique dichotomy is apparent in the period between the spring of 1947 and December 1949 in Anglo-Hungarian relations. The gradual deterioration of the international situation, the emergence of the Cold War, and the development of a bipolar world had their impact on the relations of Hungary and the UK. The British Legation in Budapest – and occasionally the Foreign Office – protested against certain measures of the Hungarian Government more and more frequently. In spite of all these, as regards trade relations a significant development can be seen during these two to three years. In 1948, for instance, Hungarian exports to the UK amounted to 180 million forints, while British exports to Hungary exceeded 100 million forints. From British perspective, Hungarian food exports were especially important, while Hungary could obtain sterling by selling her agricultural products.

The situation of British-owned enterprises operating in Hungary began to decline significantly only from the spring of 1948. The series of nationalisation laws warned the owners of foreign companies that their firms would not be able to operate in Hungary for very long. In April 1948, all business enterprises with more than 100 employees were nationalised, except for foreign holdings (i.e. those with over 50% of foreign ownership). Still, hundreds of minority shareholders of British citizenship were deprived of their rights to exercise their rights to control their businesses. In the case of Shell, which was of strategic importance, the Hungarian government used various methods to render the operation of the Hungarian subsidiary completely unprofitable, which resulted in the owners' refusal of accepting responsibility for the conduct of business. From this time on the Hungarian government treated Shell Kőolaj Rt. as if it had been nationalised.

The Foreign Office paid continuous attention to Hungarian domestic affairs between 1947 and 1949, and expressed their concern about events like Béla Kovács's arrest by the Soviet military authorities, the crisis of the all-party coalition, Prime Minister Ferenc Nagy's resignation, and the results and consequences of the parliamentary elections of 1947. The merger of the Hungarian Social Democratic Party with the Communist Party and the attacks on the Hungarian Catholic Church, which culminated in the arrest and trial of Cardinal József Mindszenty resulted in significant international reactions, and these events were even discussed in the House of Commons.

Parallel to the emergence of the Cold War, Anglo–Hungarian relations were burdened with more and more conflicts. In spite of all the differences, however, both governments considered it important to maintain trade relations, and therefore trade and financial negotiations began in London in 1949. The latter included talks to settle pre-war debts, compensation for war damage to British property in Hungary as well as compensation for claims arising from the Land Reform and nationalisation laws. The series of talks, which were interrupted and resumed several times, lasted for months. Based on the records of the meetings and the delegations' reports which can be found in archives in Budapest and London, the negotiations, the changing viewpoints and the backgrounds to decisions are discussed in detail in the thesis. The British government successfully linked the trade talks

with the question of British companies in Hungary: they refused to discuss food exports until Budapest reaches agreements with the owners of the British companies in Hungary and offers reasonable prices for their shares. This tactics was successful only partially as the Hungarian government reached a final agreement with only one company, Unilever. In October 1949, in spite of all the difficulties, the trade and financial agreements were about to be signed – according to the draft documents Hungary would supply agricultural products and industrial goods to the total value of 13.8 million pounds in the following 12 months, and also undertook to pay 500,000 forints in three instalments for the purchase of the shares of British companies in Hungary.

(1949–1953)

The promising talks were interrupted unexpectedly on 19 December 1949, because the Hungarian authorities detained Edgar Sanders, a British subject, manager of Standard Electric Co. Sanders was sentenced to 13 years of imprisonment for sabotage and espionage in February 1950. In the meantime, all foreign-owned enterprises were nationalised (together with the nationalisation of all companies with more than 10 employees), which made the relations of the two countries even more strained. Between December 1949 and June 1950 bilateral relations between Hungary and the United Kingdom were almost entirely severed. Trade plummeted dramatically, Hungarian exports virtually ceased, imports from Britain fell to fractions, and Hungary could hardly import anything from the sterling area due to lack of sterling. British diplomacy tried to free Sanders for three and a half years in vain as the Hungarian government refused all its proposals. Two Hungarian proposals, however, were refused by London: in December 1951, the Hungarian government wanted to purchase a large amount of lead and copper from Britain, and offered to release Sanders from prison in exchange, and in 1952 they offered to exchange Sanders with a Chinese Communist who had been arrested in Malaya, but the British Government refused both deals.

Between 1950 and 1953 the British Legation in Budapest was working in almost complete isolation, which made it extremely difficult to obtain reliable information on Hungarian domestic policy. Therefore, only two Hungarian domestic events are discussed in the thesis: the trials against former Social Democrats and the situation of the Hungarian churches. The reports of the British ministers in Budapest contained a large amount of false information, which illustrates very well how difficult it was to collect reliable news behind the iron curtain. The Hungarian Legation in London could not fulfil its diplomatic functions either, partly because of its isolation and partly because most of its staff was unsuitable for diplomatic tasks. Cultural, academic and art relations were severed too; the British Council in Budapest was closed in 1950.

(1953–1956)

From approximately 1948, the main feature of British policy towards Eastern Europe was that it did not want to intervene in the domestic affairs of the Soviet bloc even in the field of propaganda, and did endorse the development of trade and cultural relations. The Foreign Office and the Secretaries of State of the period (Ernest Bevin, Herbert Morrison from the Labour Party, and later Anthony Eden and Harold Macmillan from the Conservative Party) did not agree with the policy of the United States, which they considered to be too aggressive and confrontative. Some change in British foreign policy can be seen after the Geneva Summit in 1955; from this time on more emphasis was laid on trade and cultural relations, but London continued to reject any steps which might lead to revolutions and uprisings in the “orbit” countries.

After Stalin’s death changes occurred in Anglo–Hungarian relations too. Imre Nagy’s government and its programme was received with scepticism and expectation in the Foreign Office, and the despatches of the British minister in Budapest show that they considered this détente to be rather superficial than real. The most important event in bilateral relations was

Sanders's release from prison in August 1953. The Hungarian government expressed its willingness to resume trade and financial talks in November 1953, but these could only begin in 1954 when the British government agreed to accept imports from Hungary again; financial negotiations resumed too.

The British Legation in Budapest sent a number of reports about the implementation of the "June Road" (Nagy's reform programme). They did not trust the Nagy government very much, although some of its measures (attempts to raise the standard of living, release from prison of some people who had been convicted unlawfully, etc.) were welcomed in London. At the same time they could clearly see that Rákosi could return to power any time, and that is why they were not surprised when Imre Nagy's premiership and the "June Road" came to an end in the spring of 1955 (following the "throne fights" in Moscow, which resulted in Malenkov's fall and the consolidation of Khrushchev's position). These changes affected Anglo-Hungarian relations too: trade and financial talks slowed down, the Hungarian authorities began to harass Hungarians who had contacts with the British Legation, etc. The "Geneva spirit" could hardly be felt in Hungary, and consequences of the 20th Congress of the Soviet Communist Party in February 1956 were also restricted. However, in the summer of 1956, the British minister could report about more and more promising news in Budapest.

In July 1956 a trade and financial agreement was signed in London. According to the agreement Hungary could export agricultural products and industrial goods to the total value of 12 million pounds, and agreed to use 6.5% of the income to settle pre-war debts and compensate the former owners of confiscated estates and nationalised enterprises. The agreement was a successful conclusion of a series of talks which lasted long years, and, although as a result of the events of the autumn of 1956 trade did not reach the required level for some years, the settlement of financial issues was an important milestone in the relations of the two countries.

(Summary)

The thesis aims to give an overall picture of the history of Anglo-Hungarian relations between 1944 and 1956. The focus is on diplomatic history, and Anglo-Hungarian relations are discussed from an international perspective. In addition to traditional diplomatic relations, special emphasis is laid on economic connections. The fate of the British-owned companies in Hungary and the trade and financial negotiations of 1948–49 and 1953–56 are explored using archival material from Budapest and London. Apart from diplomatic and other ministerial documents, publications of debates in the Houses of Parliament in London were also used -- these help us to have an insight into British public opinion, which are sometimes radically different from the official views on certain questions of Anglo-Hungarian relations. Using the reports of the British Legation in Budapest, we also discuss the British response Hungarian domestic events.

3. The author's publications related to the topic of the thesis

Articles

- Nagy-Britannia visszavonulása Közép- és Kelet-Európából, 1941–1947: Mikor mondott le a brit külpolitika Magyarországról? *Kút.* 2005/2. 162–182.
- A brit tulajdon államosítása Magyarországon, 1945–1950. *Múltunk.* (52) 2007/4. 282–306. <http://www.polhist.hu/multunk/letoltes/hegedusgy.pdf>
- Magyar-angol kereskedelmi és pénzügyi tárgyalások 1949–1956. In: Réfi Attila–Sziklai István szerk.: *Pártok, politika, történelem. Tanmányok Vida István egyetemi tanár 70. születésnapjára.* Budapest, MTA–ELTE Pártok, pártrendszerek, parlamentarizmus kutatócsoport, 2010. 209–220.
- Hungary in British Foreign Policy, 1941–1945. *NyelvVilág.* 10. sz. 2010. 53–64.

Conference papers

- Nationalization of British interests in Hungary, 1945–1950. *Britain and Europe in the 20th Century – 21st Summer Conference of the Centre for Contemporary British History*, London, 2007. július 11–13.
- Anglo-Hungarian trade relations and the nationalization of British interests in Hungary, 1945-56. *The Economic History Society Annual Conference. University of Warwick*, 3–5 April 2009. 156–161.
<http://www.ehs.org.uk/ehs/conference2009/Assets/EHSBooklet2009.pdf>