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Report on Germany's Foreign Trade, Imports and Exports, Foreign Relations and Commercial Treaties

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In dieser ausführlichen Analyse beschreibt F. Thelwall, Wirtschaftsberater der britischen Regierung, den Zustand des deutschen Außenhandels im Frühsommer 1920. Auffällig ist dabei zunächst, dass er auf das Fehlen einer offiziellen deutschen Außenhandelsstatistik verweist, die tatsächlich vom Deutschen Reich nicht zuletzt aus reparationstaktischen Gründen zurückgehalten wurde (und deren Unterlagen im Zweiten Weltkrieg verlorengegangen sind). Die außenwirtschaftlichen Beschränkungen, insbesondere die Verschärfung der Importgenehmigungspflicht und der Devisenbewirtschaftung im Außenhandel, werden von ihm einer elaborierten Kritik unterzogen. Nach einem ausführlichen Überblick über die Handelsbeziehungen zu einzelnen Ländern beschreibt er am Ende, welche Herausforderungen die temporäre Stabilisierung der Mark im Frühjahr 1920 für die deutsche Außenwirtschaft bedeutete. Die Auswirkungen der fortschreitenden Geldentwertung auf die deutsche Außenwirtschaft werden hier schlaglichtartig deutlich.

Berlin, 19th May 1920.

REPORT ON GERMANY'S FOREIGN TRADE, IMPORTS AND EXPORTS, FOREIGN RELATIONS AND COMMERCIAL TREATIES

1. Import and Export Regulations.

The German official regulations governing import and export trade which have been discussed and expected for some eighteen months have now at least begun to appear. They go into minute detail and have every appearance of a cumbersome instrument which will give the German trader a lot of trouble and causes to foreigners a good deal of irritation. The regulations in so far embody the principles which have been reported during the past year that they admit a certain number of raw materials and half-finished goods without licence, but they do not permit the unrestricted export of finished articles and have brought a surprise in the shape of an export duty on a large number of goods.¹

Whether it is wise from the German point of view to make her export trade subject to the burden of complicated applications for export licences, of fees for checking invoices, and of an export duty after the licence has been granted, may be questioned. The reasons given for this action are that the reconstruction of Germany would be seriously hampered if traders, attracted by high foreign prices, were allowed to neglect the home market; that care must be taken to ensure a maximum influx of foreign money for the goods exported, at the same time leaving a competitive margin; that the foreign valuta thus acquired must be under Government control and must in part be surrendered to the Government; that measures must be taken to promote manufacture on

1 Bezug ist hier die Einfuhrverordnung vom 22. März 1920 und die Verordnung über die Außenhandelskontrolle vom 20. Dezember 1919, die Außenhandelsgeschäfte genehmigungspflichtig machten. Die Durchführung der Importkontrolle fand durch den "Rheinauffanggürtel" statt, dass also Waren an verschiedenen Punkten am Rhein registriert und lizenziert wurden. *Haberland, Elf Jahre*, 38–64.

commission (Veredlungsverkehr). Another reason, not stated, is probably that German export is to be directed into such channels as will most effectively assist in the reconquest of foreign markets. The reasons are good in themselves, but, as always when the problem of the Government control of industry or commerce arises, it is debatable whether the same ends might not be achieved by much simpler methods which would hamper the free expansion of trade less.

The German import policy, on the other hand, which at first seems incomprehensible in view of the terrible shortage of food, raw materials and goods of all kinds, is now being justified. In both Europe and America goods of certain classes of foodstuffs have accumulated which have proved very difficult to dispose of. In due course they were offered to Germany who was thus placed in a position to choose what she wanted and to obtain more or less her own terms; the hardships from which the country was suffering were thus prolonged, but an increase of its financial burdens to a large extent avoided. The control of imports has been made much more stringent and in addition to the confiscation without compensation of improperly imported goods, high fines and imprisonment are to be inflicted.

The regulations themselves have been translated and forwarded.

The composition and location of the export control offices remains the same as described in previous reports;^[3] the principle of decentralisation is maintained. The only innovation which is contemplated is the foundation of an "Export Office for the Export Trade"², which is to deal with collective export orders so as to avoid the necessity of the trader applying to a large number of specialized offices. The creation is authorized, but apparently not yet complete; it is violently opposed by industry and warmly supported by exporters.

2. The following instances of the application of import and export licences to various industries are interesting and throw a certain amount of light on the present state of the latter:

a) The authorities have agreed that during the period July 1st to October 31st, 1920, sufficient tobacco may be imported to ensure, as from March 1st, 1920, that the cigar industry shall have 40%, the pipe tobacco industry 60% and the chewing tobacco and snuff industry 75% of the quantities which they consumed in manufacture in 1913 (31.3.20)

b) In view of the shortage of leather goods, particularly footwear, export permits for such goods can only be granted if compensation in the form of imported raw leather exists and if the export is necessary for the obtaining of foreign values. The export is limited to 75% of the manufactured articles obtained from the raw material imported (5.3.20)

c) It is ascertained that the shortage of coal trucks was due to the lack of the sheets necessary for their manufacture. On investigation it was found that the rolling mills had exceeded their allotted quota for the export^[4] of sheets; thereupon the issue of export permits for fine, medium and heavy sheets as well as for shipbuilding steel (plates and profiles) was stopped; measures for cancelling some of the licences already granted are being considered as well as for reducing the export allotment so as to make good the excess which has left the country and to ensure the home supply.

d) In the case of the iron industry it has been decided that the Foreign Trade Control Office is not to be formed until the Administrative Body for this industry (Eisenwirtschaftsbund) comes into being. A provisional Committee of 25, consisting of representatives of the industry, trade, consumers and workmen has, therefore, been constituted to supervise the foreign trade in iron. It will itself decide as to refusals, but if it recommends that an export order be granted, an application is passed on to the export office in Düsseldorf which reconsiders whether the export can take place in view of the urgent home demands. The exporting firm must pay the usual fee based on the export price and must, in addition, hand over a proportion of the foreign values obtained for the goods exported. The foreign money thus collected will be used to assist producers who purchase ores abroad.

II.

Imports and Exports

1. Complete secrecy is still maintained as to the volume and value of German imports and exports. One can only endorse the complaint which appeared in the "Frankfurter Zeitung" a short time ago and which describes

2 Gemeint ist die Außenhandelsstelle beim Auswärtigen Amt.

this attitude as incomprehensible. It is pointed out further that it only[5]results in pessimism as the idea arises that the figures are too bad to be given to the public and that, in any case, by comparing the foreign trade returns of other countries a fairly accurate picture of Germany's imports and exports could be formed.³

I am also forced to accept this method.

2. In December, 1919, Germany exported goods to the value of 590,70 Million Francs to France, thus occupying third place after the United Kingdom and the United States. On the other hand, the imports from France were valued at 1284 Million Francs, which represents a balance of 693 Million Francs against Germany. In German money the French imports for the month represent 5136 million marks. Compared with 1913 this figure alone is equal to nearly half the total German imports for the year which amounted to 10,900 Million Marks.

3. Switzerland

The following are the figures of German imports into Switzerland up to the third quarter of 1919 inclusive, compared with the average quarterly quantity in 1913. (Already briefly reported in my Weekly Notes).

Article	Quarterly Average in 1913 in DZ (100 kg)	1st Quarter 1919 in DZ (100 kg)	3st Quarter 1919 in DZ (100 kg)	3rd Quarter 1919 in DZ (100 kg)
Wooden Manufactures, including Furniture	8727	1407	4638	18709
Paper & Cardboard (without print)	3637	375	493	3231
Paper & Cardboard (with print)	33512	9691	15550	31773

3 Zeitgenössisch sorgten die großen Lücken in der offiziellen deutschen Außenhandelsstatistik bis 1924 für zahlreiche Diskussionen. Die deutsche Seite beharrte in offizieller Lesart darauf, dass eine solche Statistik wegen des Lochs im Westen und der mangelhaften Erhebung ohnehin unbrauchbar gewesen wäre. Vermutet wurde indes, was informell von Mitarbeitern des Statistischen Reichsamts auch bestätigt wurde, das auch reparationspolitische Taktik dabei eine Rolle spielte. Wie Thelwall hier bemerkt, konnte diese Taktik jedoch gerade Unruhe schüren. Die Unterlagen, die eine Rekonstruktion der Handelsstatistik ermöglicht hätten, gingen im Zweiten Weltkrieg verloren. *Hentschel, Zahlen und Anmerkungen*, 95–98.

[6]

Books, Periodicals & Pictures	7381	3202	5109	6756
Stoneware, Earthenware, Pottery	12766	13238	11374	11372
Glasware	19167	20580	17516	32439
<u>Iron</u> , Railway Material	142024	32854	41076	40799
Various Pipes	41265	7446	8043	19945
Tools	2950	3173	3981	5008
Screws, Nails & Fittings	5547	1047	2027	3423
Wire, Sheets, Sths & forged Wares, Weapons	32859	13212	16867	15943
<u>Machinery</u> , Machine Parts	15528	3558	4260	4663
Boilers, Locomotives	5872	1663	3759	3473
Spinning, Weaving, Knitting & Sewing Machines	8796	3657	3651	5930
Other Machines, except Machine Tools	32820	15182	19127	22133
Machine Tools	8708	4183	10638	17170
Motor Cars	534	1598	2895	10041
Bycicles	851	6982	6985	32507
<u>Instrument & Apparatus</u> Optical, Medical, Chemical	439	315	315	498
Gas & Water Metres	584	133	176	371
Electrical Instruments & Apparatus (Accumulators, Telephones etc.)	2139	874	1282	886

[7]

Musical Instruments	1822	736	913	1649
Pharmaceutical Goods. Scents	7483	1941	20067	2293
Dyes & Colours	19945	5720	4030	5790
Arc & Incandescent Lamps	389	1186	193	201

In considering these figures it must be borne in mind, in the first place, that the commercial relations between Switzerland and Germany have been uninterrupted and that, therefore, there were probably contracts running which the Germans were anxious to fulfil; secondly, the period covered is one of steady improvement from the chaos of the revolution to the comparative order of the autumn. Unfortunately the winter is not included so that the effect of the fuel shortage cannot be gauged.

Some of the figures are very striking, particularly those of wood manufacture, tools, machine tools and motor cars in all of which the 1913 average has nearly been doubled, while the number of bicycles imported into Switzerland from Germany in the third quarter of 1919 was more than 35 times as great as the average in 1913.

Without other German export figures for purposes of comparison, it would be unsafe to draw conclusions as to the actual state of German industry from the above statistics, but it is interesting to note that the German Chamber of Commerce in Switzerland is dissatisfied with the results shown. It complains that many important branches of industry are not quoted at all because their export to Switzerland was so small that a comparison with 1913 was not worth while.[8] Thus in textiles the quarterly average in 1913 of cotton yarns and tissues exported from Germany to Switzerland was 5507 DZ against 99 Dz. in the first nine months of 1919. Further, the Chamber considers that the largest increases show an unhealthy tendency; the export in wood manufactures and furniture took place in spite of shortage in Germany, while motor cars and bicycles seem to have formed the favourite objects of valuta speculators. The Swiss export of these two classes of goods does not show any corresponding rise, such as has occurred in machine tools. The presumption is that a proportion of the increased German imports of the latter were re-exported, chiefly to France and Italy; the Swiss export of this article to France was 11,267 DZ in the first nine months of 1919 as against 625 DZ in 1913.

The annoyance in both countries at the general type of business seems justified, on the German side, because her goods were frittered away, and on the Swiss because the country was being flooded with things it did not want and which in some cases competed with home industries. It was felt, moreover, that the benefit of the transactions did not accrue to the two countries at large, but only to a questionable type of dealer.

III.

Foreign Trading Bodies.

1. Among the private or semi-official organizations which have been started to promote foreign trade the "Institute for Foreign Law attached to the National Federation of German Industry" (Institut für Ausländisches Recht beim Reichsverband der Deutschen Industrie) may be mentioned.[9]

This body gives information and expresses opinions on foreign laws for the benefit of the German firms who wish to do foreign business or who have differences with foreigners. It also issues a periodical called "Foreign Law" (Auslandsrecht).

Certain companies have also been formed either with a view to promoting manufacture on commission (Veredlungsverkehr) or to obtain foreign credits and participations.

2. An important concern of this kind is the "Deutsche Waren Treuhand A.G." in Hamburg with a capital of 10 Million Marks in which the bankers Warburg and Mendelssohn are interested.

3. In March a company called "Ruil Maatschappij" was formed in Holland under the direction of the Nederlandsche Bank for the purpose of providing credits for German industry and arranging for the exchange of goods between the two countries. Its correspondents in Cologne are the banks of Oppenheim & Levy; Thyssen

is also interested. The capital is 5 million Florins. This concern is reported to be contemplating negotiations involving credits up to 50 million Florins.

4. In January a company called "Tauschverkehr A.G." was formed in Holland with a share capital of 4 million Florins and 10 millions Florins debentures. The Nederlandsche Handelsmantschappy, the Nederlândisch-Indische Handelsbank, the Twentsche Bank and the Bank für Handel und Schifffahrt are interested in the concern to which they are granting a[10]preliminary credit of 50 million Florins. German firms are to be thus enabled to obtained to raw materials under the guarantee of certain German groups, either direct or through the "Tauschverkehr A.G.". In return the Germans will furnish a certain proportion of the finished articles manufactured from such raw materials or other goods.

5. In February a company called the "Deutsche Oekonomie G.m.b.H" Unter den Linden 98a, Berlin, was formed. Herr Roitzsch (Secretary to the Union of Saxon Textile Manufacturers) Herr Legien (President of the Central Committee of Trades Unions) and Herr Olaf[sic!] Aschberg, banker, of Stockholm, are the shareholders. The object of the company is to act as intermediary between the German textile industry and foreign lenders of credit. It proposes to conduct its transactions as follows: First, German textile manufactures will be offered to foreign buyers, if they accept and an export license is obtained, a Swedish financial syndicate will at once pay the German manufacturer in foreign currency, so that he can purchase raw materials without delay and can give his actual customer credit as formerly.

This is an amplification of the credit for several million Kronen which had already been arranged some weeks earlier between the "General Union of German Trades Unions" (Allgemeiner Deutscher Gewerkschaftsbund) and the Scandinavian Trade Unions.

5. With the object of securing the participation of German industry and technological experience in the development of the Argentine, a German-Argentine syndicate called[11] the "Fornante Industrial Argentine" has been formed; it is financed with Argentine money.

6. The creation of a company in Japan with a capital of 10 million yen is reported. Its object is said to be the import of medicinal drugs and dyes from Germany, a purchasing committee is en route. No confirmation has so far been obtainable here.

IV.

Commercial Treaties and Foreign Credits

SWITZERLAND

1. Switzerland had given notice for the termination on March 17, 1920 of the German-Swiss-Trade and Customs Treaty of December 10, 1891 and the Supplementary Treaty of November 9, 1904. Subsequently it was arranged, however, that these treaties were to continue in force subject to three months' notice by either country.

SWEDEN

2. a) The German-Swedish Commercial and Shipping Treaty of May end, 1911, which would have expired on March 31st, 1920, has been prolonged, on condition that if by April 30, 1920 neither country had given notice for its termination on June 30, 1920, it was to continue in force subject to three months notice by either side. No announcement as to such notice having been given has been published. During the negotiations for the renewal of this Treaty the quantity of certain goods and materials which Sweden might import into Germany were fixed, particularly with regard to ores, cellulose, matches, and separators.

b) The settlement of some of the German debts owing to Sweden for ore deliveries which were guaranteed by the large German banks, is said to have taken place early in the[12]year by the transfer of the liabilities to foreign concerns; Dutch syndicates (among them William Müller & Co., Rotterdam) are said to have taken over those of one of the largest Westphalian combines, while the Americans assumed those of a series of Upper Silesian works. The chief Swedish creditor is the Graengensberg[sic!] Company⁴ which estimated its claims in the summer of 1919 at 120 million Kroner.

c) In February the Swedes made an arrangement with German importers for the supply of herrings to the value of 10 million Kroner; one fourth of this sum is to be paid in cash and of the rest credit for one third will be

4 Gemeint ist die Firma Gränges aus Gränesberg, die damals der größte schwedische Erzproduzent war.

given by the exporting firms and for two thirds by the State. In view of the difficulties connected with this trade and in order to secure the future, a movement is said to be on foot in Sweden to erect large factories on the West coast for smoking herrings so as to ensure a cheap supply for the Swedish consumers.

NORWAY

3. a) Early in the year the Norwegian Storting passed a bill for the supply of herrings to Germany on credit; the sum involved is 13 million Kroner, 25% of which will be paid in cash while long credit will be given for the remainder. Germany is expected to settle this debt by delivery of goods, but not till the Mark is at 35 Oere.

b) Towards the end of April a further contract as to the supply of herrings was made between Norway and the German Government. It provides for the delivery of 1 million barrels of herring for not more than 49 million Kroner. Germany receives credit for varying periods for this sum or portions of it, the longest being for ten years.[13]

FINLAND

4. In connection with Article 102 of the Peace Treaty (Constitution of the Free State of Danzig), the German Government cancelled the Commercial Treaty with Finland. Negotiations were commenced for the conclusion of a provisional arrangement which is to contain the main features of a future treaty.

POLAND

5. a) According to information published in January the following agreement was concluded between Poland and Germany: Germany will supply Poland with 750,000 tons of coal per month for five months at 120 M. per ton and with a non-recurrent quantity of 50,000 tons of coal for 6 million Marks, i.e. a total of 456 million Marks for coal. For the loan of 5000 tank waggons during 3 months Poland will pay 1.5 Million Marks for the loan of 100 locomotives and 3000 trucks during 150 days 9.9 million Marks; for 400 trucks of potash 4 Million Marks. The total sum to be paid by Poland to Germany is 471,400,400 Marks. Poland is to supply Germany with 8.8 million cwt. of potatoes at 10 Marks = 88 million Marks, with 100,000 geese at 20 Marks – 3 million Marks, with 20,000 cwt. of molasses at 15 Marks = 300,000 Marks, with 1 million litres of spirit at 30 Marks = 30 million Marks, so that Poland's sales will amount to 190,300,000 M., leaving a debit balance of 351,100,000 Marks to be paid by Poland.⁵

b) In retaliation for the Polish decree which made the Polish Mark equal to the German mark, the Central Union of German Industry asked its members to deliver goods to Poland only on pre-payment in German currency.

CZECHO-SLOVAKIA

6. In the middle of April the Solvay Works, Bernburg,[14] were exporting considerable quantities of potash to Czecho-Slovakia in exchange for sugar. Some of the potash was sent in new trucks which the Dessauer Waggonfabrik has built for Czecho-Slovakia.

RUSSIA

7. The situation with regard to Russia is still obscure, but there can be no doubt that a strong tendency exists to resume and develop Russo-German-relations, though the German Government is reticent on the subject; it is, however, probable that the fear of Bolshevik propaganda in Germany, one of the chief obstacles, will gradually disappear as the true state of affairs in Russia becomes better known and the nationalist character of the Soviet Republic more apparent and that then the German Government will openly introduce measures for the re-establishment of commercial relations with Russia, at first through Riga, Libau and Petrograd. Preparations are already under discussion with Kopp, the Russian Government agent in Berlin and a contract with him was signed, as reported at the time. In view of these probable developments, the following estimate of German capital invested in Russian shares is interesting: The total is put at 515 million roubles, distributed as follows: 27% in banks, 30% in transport and traffic companies, 10% in the textile industry, 9% in the metal industry, 8% in the naphta industry, 5% in the machine construction industry, 5% in mining, 2% in the chemical and 1% in the Gas and electrical industries.

5 Thelwall bezieht sich hier auf ein am 7. November 1919 zwischen Deutschland und Polen abgeschlossenes Wirtschaftsabkommen, das hauptsächlich den Austausch von Kohle gegen Lebensmittel vorsah. Auf diese Weise bekam die junge polnische Republik Brennstoffe, während Deutschland die Versorgungslage der Bevölkerung verbessern konnte.

ROUMANIA

8. The German attitude towards commercial transactions with Roumania appears to be one of caution, pending the settlement of the country in its new form. German business[15]men are advised to take advantage of opportunities for the sale of their goods, but not to bind themselves yet, particularly not as to the appointment of agents. The number of good agents in Roumania was always limited and, owing to the situation created by the war, has decreased. The German hope that the inclusion of Siebenbürgen in Roumania may help them in this respect by making the German element in this territory available for the protection of German business interests.

BULGARIA

9. The situation with regard to Bulgaria is more difficult and, for the time being, business transactions are more or less at a standstill, partly on account of the strained relations between the two countries (Bulgaria has apparently passed a law sequestrating German property) and partly on account of Allied control. When intercourse becomes easier, the "Institute for Economic Relations with Bulgaria" (Institut für den Wirtschaftsverkehr mit Bulgarien), Berlin, hopes to be able to carry out its operations unhampered. In the meantime it intends to send a representative to Sofia to secure the numerous German claims and make adequate arrangements with the Bulgarian debtors.

U.S.A.

10. a) After much preliminary negotiating and many false alarms, the commercial relations between the United States of America and Germany appear at last to be assuming definite shape. Not only are concrete instances of the participation of American capital in German concerns being reported, but there can also be no doubt that many of the purchases made and credits granted through neutrals include[16]American co-operation. Considerable secrecy is maintained as to American action in Germany, but when Peace has been concluded between the two countries, the results of the preparation which are now being made will become more apparent, such as, for instance, the loan or credit, previously reported, between the German Government and the Graingers Company[sic!].⁶ It is not stated that this has also been approved in the U.S.A. and that instead of being one amount of 300 Million Dollars, it is an annual credit of 333 one third million Dollars for three years. The only American participations which have been mentioned in the press are that in the A.E.G. and the transfer of German liabilities for Swedish ore to Americans (see under "SWEDEN" above); in all probability the latter were given in return an interest in the Upper Silesian works concerned. The view taken in Germany of the negotiations between the Hapag and America is at present pessimistic.

b) Among German-American transactions the agreement with the American packers which has already been reported, deserves special mention. It was concluded towards the end of April and the amount involved is 45 million Dollars for the purchase of meat, bacon, fats and milk. Repayment is to be made between the middle of 1921 and the middle of 1922 according to the special amortisation plan. Some of the foodstuffs to be delivered under this agreement may also be recapitulated as follows:

350 million kg of bread cereals, with possibly a further 150 kg

45 million kg of meat

50,000 live pigs,

20,000 live cattle[17]

35 million kg of bacon

35 million kg of lard

3 million cheeses

400,000 cases of milk of 48 tins each

Sufficient olenginous fruits for producing 50 million kg of margerine

10 million kg of rice

19 million cwt. of potatoes

6 Gemeint ist hier eventuell wiederum die schwedische Firma Gränges.

c) In this connection attention may also be drawn to the work being done by the American Relief Administration Warehouses, assisted by the American Bankers Association. Under this scheme Americans can purchase food drafts of from 10,-50 Dollars in the U.S.A. and send them to persons in Germany who are then entitled to draw certain quantities of foodstuffs from the stocks which the Relief Administration keeps at Hamburg. The arrangements also applies to certain other European countries which are suffering from the lack of food.

d) One of the articles in which considerable deliveries are being made by the U.S.A. to German is lead. Difficulties arose because the Chicago firms concerned refused to accept Marks. An arrangement has now been made that the new liabilities, accounting to 75 million Dollars, need to be met until those under the current contract have been paid which will probably be at the end of this year, delivery will, however, commence at once. Credit will be given till 1922.

e) Negotiations between the two countries for potash to be supplied by Germany were interrupted by the political disturbances in March and appear not to have been brought to a conclusion up to the present.

SOUTH AMERICA

11. a) As far as South America is concerned, German[18]activity continues to be chiefly confined to propaganda for German Goods, which, it is said, have not lost in popularity and are still preferred to those of American or English origin. The question of the appointment of agents appears to be a rather vexed one and repeated exhortations have been published that Germans should always be given the preference and the feeling of solidarity with the fatherland strengthened. Great satisfaction is expressed that the Brazilian Government permitted the unrestricted resumption of business by the German banks in the country as from August 1919. A German-Brazilian Association exists in Hamburg which appears to be actively promoting the emigration of Germans to Brazil.

b) A press report states that three former Under Secretaries of State had been sent to the Argentine by Germany to negotiate a loan for 100 million pesos to pay for purchases of cereals and meat, but that the transaction had been prevented by a protest on the French and Italian ambassadors.

V.

General Remarks

1. The introduction of a close and elaborate export control by the German Government gives cause for speculation as to its reason, apart from that officially given. It is certainly not in accordance with the wishes of industry and trade who both complain bitterly about it, and even if the state of the country made it necessary during the past year and during the winter, a considerably modified form would now suffice. It is in fact admitted in official circles that the whole complicated fabric has reached its completion at a[19]time when, for economic reasons at any rate, it might well dispensed with. The chief factors which have led to this result are the improvement in the Mark and the closing of the "Hole in the West". The former had automatically raised the price of German goods which are made out of raw materials purchased when the Mark was low and which were further unwarrantably increased, up to and above the world's market prices, while the latter has done away with the crowd of traders in the Occupied Territory who would purchase anything at any price. So far, therefore, from needing an organization to prevent him from selling to cheaply, the German manufacturer finds his prices too high as it is and as the German public has made up its mind to wait for a decline in the inland prices, German commerce, from the retailer to the manufacturer, is suddenly faced with a situation which threatens to become critical. Bankruptcies which have so far been scarce, are now likely to become numerous. Though not working to its full capacity, on account of the fuel situation which continues to be indifferent, industry is producing too much and a further reduction with the consequent dismissal of workmen is imminent. Whether the innumerable Export Control Offices will realize the situation sufficiently rapidly and be adoptable enough to adjust export prices to meet the situation seems extremely doubtful; their one aim and object appears to be to keep prices at a high level. In spite of this, however, the German manufacturer may be expected to pay increased attention to foreign markets for the disposal of his stock.[20]

2. Should the German import and export regulations continue, their relation to Allied trade requires some consideration. It must be remembered that their application is entirely arbitrary and secret and that though the co-operation between the individual control offices and their official superiors (Commissioner for Imports and Exports, Ministry of Economics) is far from perfect, the Government and probably does issue confidential

instructions as to policy which the offices are glad to follow. Taken in conjunction with the fact that no import or export statistics are published the possibilities which the above procedure offers of avoiding the terms of the Peace Treaty by giving preferential treatment to one country at the expense of another are so obvious as not to need elaboration. As a matter of fact, a prominent official admitted to me that one of the chief reasons why the foreign trade figures were not issued was the fear that they might be used as a weapon by the Allies against the German Government.

The principal remedy for this state of affairs could be the publication of statistics by the German Government as to imports and exports according to value and quantity and goods from and to each country as before the War. In[21]addition, however, the Commission for Import and Export Control should issue detailed reports and figures as to the activities of the offices under his jurisdictions.

3. As still to be seen from the foregoing report, Germany has succeeded in arranging several large credits for foodstuffs and raw materials and the question arises how far these credits affect her general economic situation. My impression is that the latter is much better than last year, but that, nevertheless, German trade and industry are about to enter upon a new crisis owing to the improvement in the Mark which has almost paralyzed her selling power at home and abroad. Previous to this, German industry was working on a decreased scale and was very seriously hampered by shortage of coal and of raw materials, but what it did produce it could sell at almost any price. Judging by the general company results which are now being published the average trader and manufacturer did very well and is able to pay an increased dividend, in spite of much higher wages, running costs and prices of raw materials. In fact, it would seem that the country is financially very rich and only the Government poor, whether the latter succeeded in adjusting the balance depends on the results of the now and of any future taxation; these cannot be gauged yet. It is true that the wealth varies with the exchange and consists mostly of paper, but short of the country going bankrupt, it ensures liberty of action and of expansion for the trading and manufacturing community.

4. In the important matter of food supply which is closely bound up with the credits mentioned, the situation[22]seemed to have eased somewhat; complaints are now directed more against prices than against quantities and on several occasions uncontradicted statements have appeared in the Press that Germany's food supply has been secured for the current fiscal year; this probably only means that the present ration which is admittedly inadequate, has been secured, but still it represents a marked improvement on the desperate straits of a year ago. English sellers of meat who have been here recently have been told that the German Government has as much meat as it can handle and does not intend to make further purchases at present.

5. America's interest in Germany is increasing and has latterly taken the form of very large purchases of Marks and of German industrial and municipal shares. In addition to the instances previously reported, the U.S.A. have given a 50 million Dollar credit for the supply of copper to Germany, have arranged to supply the Saxon ceramic industry with coal and have approached concerns like the Deutsche Waffen und Munitions Fabrik and Backers Stahl Werke[sic!]⁷ with a view to participation. How far this represents a genuine belief in Germany's recovery and how far it is mere speculation, it is difficult to say, but the presumption is that it will create an influential body of opinion in America in favour of assisting Germany's recovery.

6. The prospect of political unrest in Germany is still strong, particularly once the elections are over. Rumours as to extensive Spartacist military preparations, particularly in the Southern Ruhr Area and Central Germany[23]are rife, but without personal inspection it is not so easy to distinguish in how far that consists of propaganda by the parties of the Right. It is probable that the elections will result in a weakening of the moderate parties and a strengthening of the Right and Left whose antagonism will thus become emphasized and active. If the conditions outlined above continue and the resulting diminution of industrial production leads to more unemployment, the chances of an outbreak will be increased.

F. Thelwall British Commercial Commisioner

7 Gemeint ist wahrscheinlich der Krefelder Hersteller von Edelstahl Becker Stahlwerke.