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OUR INTEREST IN GERMAN FOREIGN TRADE

Recovery in Europe is lagging. Since V-E Day, this country has provided billions of dollars of assistance to Europe. Still we find the continent struggling with shortages of food, of fuel, of raw materials, of most of the essential ingredients for economic recovery and stability. Until Europe can export enough to pay its own way in the world, we shall find ourselves continually confronted with a hard choice: We must either provide further billions of assistance or see economic, social, and political disintegration in that vital area. We face exactly this problem in Germany; but more importantly, our failure to handle it there on an adequate scale will seriously reduce the chances of our success in the rest of Europe. Other European countries are vitally dependent upon the renewed flow of supplies from Germany, first and foremost of coal. The reconstruction of the European economy is inseparable from the rehabilitation of Germany.

Before the war Germany, next to the United States and the United Kingdom, was the most important trading nation in the world. As late as 1937, despite efforts of the Nazi regime to make Germany independent of foreign supplies and markets, the country's foreign trade represented about 9 per cent of the world's entire international commerce. Its exports reached $2.4 billion and its imports $2.2 billion, equivalent at present prices to $4 billion in each direction. More than half of these exports and imports came from or went into those areas of prewar Germany that today constitute the American and British zones of occupation. About two-thirds of the imports were raw materials and semifinished goods needed for the operation of the German industrial system. Almost nine-tenths of the exports were finished industrial products. Germany provided a highly important market for many foreign countries, and its exports met essential needs in wide areas, especially in the rest of Continental Europe.

In 1946, imports from other countries into the American and British zones of Germany totaled about $650 million. More than four-fifths of that amount represented foodstuffs needed to avert outright starvation among the German population. Only about one-tenth of the total consisted of raw materials for German industry, mainly American cotton and British wool. The importation of industrial materials thus was only a very small fraction of the quantity which the zones used to import before the war. Exports were equally small. They amounted to only some $150 million and three-fourths of that sum was provided by coal exports from the Ruhr mines in the British zone. Most of the remainder was raw materials like lumber and hops. Exports of industrial goods were negligible.

As a result of this situation, the American and British occupation authorities had to finance an import surplus into their zones of occupation amounting to about $500 million in 1946. Despite such a large outlay of money, the economic situation of the zones remained critical. Food imports were just sufficient to keep the ration of the average consumer around 1,550 calories per day, an amount one-fourth below the minimum standard set up by the United Nations Food and Agricultural Organization, and two-fifths below the quantity needed for the maintenance of an efficient labor force. The scarcity of imported raw materials was an important factor restricting the revival of industrial activity. Stagnation in Germany industry has prevented an adequate flow of German exports to pay for imports and to contribute to the recovery of other European countries.

In December 1946, the United States and the United Kingdom agreed upon a new German foreign trade program based upon an economic merger of the American and British zones of occupation. The two occupying powers set the goal of making the combined zones self-supporting within a period of three years by stimulating both imports and exports, and in the meantime agreed to share equally in financing the necessary import surplus. They set up a Joint Export-Import Agency and implemented their agreement a few days ago by establishing a German Economic Council. This Council will be composed of representatives of the legislatures of the German states located in the combined zones. It will be assisted by an Executive Committee representing the governments of the German states, and by a number of executive directors, heading bizonal administrative departments. Through these organizations the population of the occupied zones will be mobilized for attaining the goals set by the Agency. It was hoped that France and the Soviet Union would join in the agreement and thus reestablish the economic unity of Germany, which is indispensable for the eventual rehabilitation of the German economy and to which all four powers had agreed at the Potsdam Conference of 1945. Unfortunately, the other occupying powers refused to join in the merger, and the American and British authorities had to proceed on their own, leaving the door open, however, for future adherence by the other two powers.

In meeting our share of the cost of supporting Germany during this interim period, we rely upon appropriations by the Congress to cover food requirements. Raw materials and equipment for industrial rehabilitation, on the other hand, are financed through credits from U. S. Government agencies. The Commodity Credit Corporation shipped $30 million worth of surplus cotton into the American zone to be processed by German firms. The finished materials are exported to an extent sufficient to pay for the imported cotton and the remainder is either exported in order to pay for the importation of additional raw materials or is made available to the domestic German economy. The U.S. Commercial Company agreed to finance similar shipments of raw materials for the ceramics, glass, chemical, toys and other industries. At present, a second cotton credit of $20 million is being negotiated with the Export-Import Bank of Washington and American cotton exporters.

The two occupying powers also have established a joint revolving fund of foreign exchange that can be used for importing other goods needed by German industries. The fund consists of the proceeds of exports from the combined zones in 1945 and 1946, insofar as they have not been used already for import payments, and of German external assets transferred to the two occupying powers by neutral countries. This provides the Joint Export-Import Agency with a necessary working balance for priming the pump of German export industries.

The actual start of the foreign trade drive has been somewhat delayed. For many months the unprecedented hardships of last winter disrupted transportation and production in Europe. The new export-import organizations had to be set up and proper rules of procedure established. The exact specifications for the export-import program, which had to be submitted to the Agency by the German authorities, often were found unworkable. Already, however, the Agency is approving export and import contracts at an accelerating rate. Moreover, the Agency has issued regulations facilitating the renewal of contacts between German and foreign businessmen. American and other businessmen now may visit Germany in substantial numbers, and after June 15 German exporters and foreign importers will be permitted to conclude contract negotiations by mail. The Agency, however, has to approve all import and export contracts, either at its headquarters or through one of its branches, and it is designated to receive all foreign exchange proceeds from export shipments. These precautions are necessary in order to make sure that all export proceeds are mobilized for the payment of essential imports.

Our efforts to reconstruct German foreign trade would be greatly facilitated if Germany's economic unity were restored in accordance with the Potsdam Agreement. Since the four zones are interdependent to a very high degree, full merger would make possible a much more efficient economic operation. If, however, the four powers cannot agree on the terms of unification, the American and British authorities will have to press forward in their efforts to put at least their area of occupation back on its own feet. This will require a reorientation of industrial production in the two zones, and an increase in industrial activity above the level set by the four occupying powers about a year ago. In this framework the foreign trade program will make a decisive contribution to the restoration of economic stability in Germany and thus in all of Europe.