NEW
OUTLOOK
JAN., 1935: P. 49

# THE ECONOMIC REPORT from GERMANY

GERMANY IS BRINGING ITS BARTER TRADING to a high state of refinement. No longer does it confine bartering to an exchange of goods; a deal is on to build an electric light and power plant and to take payment in—coffee. The deal is with El Salvador, and the beauty of the transaction, from the standpoint of the Salvadoreans, is that the plant will be owned entirely at home, with no foreign strings tied to it. A stock company is being formed to swing the deal in El Salvador. Germany is taking coffee also from Costa Rica, giving in exchange cast iron pipe. The German pipe, by the way, was quoted at a considerably higher price than that named by American and British manufacturers. In this country the Sun Oil Company has arranged to receive 3,750 tons of six-inch steel pipe from Germany and to deliver in return lubricating oil. But, while German barter trade with a good part of the world is growing, Palestine trade relations with Germany have had a setback through a decree cutting down imports of Palestine oranges from 1,300,000 to 250,000 cases. Germany, always a large user of foreign credit, has found one way of circumventing the international credit blockade, but it is a way which leaves the unsuspecting credit giver nettled, and hence the usefulness of the scheme is strictly limited. Germany signed a clearing agreement with Switzerland obviating the necessity of transfers of funds from one currency to the other in effecting payment. As the agreement worked out, though, Swiss exports to Germany rose sharply, while imports of German goods dropped considerably. Swiss industrialists are angry, for with the fall in imports from Germany they are not getting paid. France's experience has been similar to that of Switzerland.

NEW
OUTLOOK
FEBRUARY, 1935: p. 45

# THE ECONOMIC REPORT from GERMANY

GERMANY'S FOREIGN TRADE FORTUNES have been mixed lately. On the favorable side, nothing even approaches in importance the January 13 plebiscite in the Saar, the outcome of which will restore to Germany on March 1 coal mines of great value. On the adverse side, the refusal of the United States government to sanction the barter proposal for exchange of 800,000 bales of cotton for an equal value of German goods has indeed been a hard blow to the German economy. It has, on the one hand, shortened the German raw material supply; on the other hand, it has denied Germany a potential market for a good quantity of exports. That Germany's stock of raw materials is low is indicated by the banning from the end-of-January clearance sales of several textile products, including all one color and plain white textures of cotton, silk and rayon. Thwarted in the aim of obtaining cotton through barter with the United States, Germany has turned to Egypt and completed a barter agreement involving the exchange of 1,000,000 pounds of cotton for about 20,000 tons of German artificial fertilizers. Four thousand tons of whale oil are being received from a Norwegian shipbuilding concern in exchange for 5,500 tons of steel. Through a barter agreement, Germany is taking raw wool valued at 30,000,000 marks from South Africa and making payment in German goods. The international economic struggle has indeed become serious when a country tries to cut down its exports. That is what Czechoslovakia and Hungary are doing. Under cover of the clearing agreement, Germany has been using Czechoslovakia as a source of raw materials and has increased ten-fold its purchases of Hungarian wool, forcing Hungarian wool users to go abroad for part of their requirements.

NEW OUTLOOK
MARCH, 1935: p.49

# THE ECONOMIC REPORT from GERMANY

DR. SCHACHT MAY BE, as used to be said of him, the best equipped economist among the world's top-flight bankers, but it is now obvious that this praise was spoken of him before he became Herr Hitler's Economics Minister. His program of attempting to force every country to buy from Germany as much as Germany buys from it had the following results in January: Imports into Germany amounted to 404,300,000 marks, the highest total in nearly three years; the 104,900,000 unfavorable trade balance was the largest since 1928, and exports decreased to 299,400,000 marks, a low figure not equalled since the closing years of the last century, except during the war years and the subsequent inflation. This daring economic policy was directed principally at the United States, and it is to be observed that German imports from this country were reduced 70 per cent last year. So drastically were German purchases from the United States cut that, toward the end of the year, for the first time on record, Germany was actually selling more to this country than it was buying. Dr. Schacht, though, has not succeeded in budging the United States from its traditional triangular trade theories by one inch; when he embarked on this policy he did not reckon sufficiently with the character of him who holds the portfolio of Secretary of State at Washington. Were Mr. Peek in Mr. Hull's chair the chances are that Germany's terms would have been met. To make matters worse, Germany has had to make concessions to those countries which are its best customers, as, for instance, the Irish Free State, which bought £2,250,000 from Germany in 1934 while selling to it only £135,387 worth.

NEW
OUTLOOK
APRIL, 1935

# THE ECONOMIC REPORT from GERMANY

GERMANY is now taking a new tack in its economic maneuvering. For the last few years exports have been subsidized at the expense of German creditors abroad.

Transfers of sums owing to these creditors have been prevented, and German exporters have made use of the balances so accruing, necessarily quoted at a heavy discount under the free mark, and have bought in cheaply the German bonds abroad on which service was being denied. But now the supply of blocked marks in Germany is insufficient to do alone the job of subsidizing German exports. So Dr. Schacht, the economic dictator, is proposing to create equalization funds to be raised from all German industries to be applied to exports.

In this way, he believes, exporters can be subsidized sufficiently to allow them to compete with countries having depreciated currencies. More than that, he intends to break away as soon as he can from the clearing agreements with nearly all leading European countries which take some 400,000,000 marks a year out of the proceeds of German exports to provide service on German debt. He declares that there is now a domestic boom which has obliged every industry to export to keep it going.

NEW
OUTLOOK
MAY, 1935: p. 53

# THE ECONOMIC REPORT from GERMANY

## Germany to Export Munitions

THE REST of the world can expect keener competition from German exports now that the Reich army is to be placed on a conscript basis and the manufacture of armaments is to be speeded up. That war machine can be equipped and maintained only be heavier purchases of raw materials abroad, and, since Germany has no gold and foreign exchange to spare, it is only with increased exports that the purchases can be made. In this connection it is worthy of note that the Reich Ministry of Finance is allowed about $80,000,000 in the new budget to promote German foreign trade.

Those profiting most from the large armament expenditures, are of course, the munitions manufacturers. That they are doing pretty well is suggested by the fact that Krupp is building a new factory north of Berlin. Their productive capacity is large enough to supply not only the large and growing German demands but to have a quantity left over for export, too. The German Minister at Addis Ababa has been instructed by the Reich, anxious to cut in on the Abyssinian orders for munitions now going chiefly to Belgium and Czechoslovakia, to offer Emperor Haile Selassie 300 German armored cars on long term credit.

Within the Reich, munitions are being stored in "potato cellars" and "game reserves," and buildings are being restricted to one flagpole and one small flag as a means of conserving the wool. In consequence, France, uninterested in helping Germany to meet the increased need for wool in the manufacture of army clothing, has stopped wool exports to the Reich.

The 200,000,000 mark medium term credit to Soviet Russia, long under consideration, has finally been extended.

NEW
OUTLOOK
JUNE, 1935: p. 49

# THE ECONOMIC REPORT from GERMANY

## Germany's Munitions Putsch

GERMANY is intensifying its drive to raise a large fund for subsidizing exports so that the necessary raw materials may be bought abroad for equipping German arms.

This export fund is another of Germany's many contributions to latter day international trade practices. Dr. Schacht is raising the fund, it appears, in two ways. Direct contributions are being sought from industry, and the turnover tax is being raised from 2 to 4 per cent.

Point is given to the drive for increased reports by the April trade figures, which revealed that Germany's external trade had again recorded an adverse balance. The favorable balance of 12,000,000 marks in March, the signal for so much jubilation in the Reich—for it was believed to be a turn in the trade tide—gave way to a 19,000,000 mark adverse balance in April. Imports increased from 353,000,000 to 359,000,000 marks, while exports declined to 340,000,000 from 365,000,000 marks.

Germany is trying to arrange to pay for heavier imports from Chile of nitrate of soda, so essential to the manufacture of explosives, by delivery of twenty-five locomotives ordered from German makers in December. Considerable success is being met with by Germany in barter deals with San Salvador. Thirty automobiles of German make have just been laid down in San Salvador in exchange for Salvadorean coffee, and many of the Salvadorean shops are stocked up with German goods obtained through exchange of coffee.

A trade controversy seems to be in the making between Germany and Norway. Germany is building its own whaling fleet to supply its increased whale oil requirements, heretofore supplied by Norway. The whale oil is used in the manufacture of margarine for the poorer classes, which cannot well afford to pay the higher prices for agricultural fats.