

Contents.

1. Economic Conditions in Japan,
1933-34. Report. By G.B.
Sansom and H.A.Macrae. 1935.
(Dept. of Overseas Trade,
No.604.) X.42.N34 G5 pp.159.
2. Economic Conditions in Germany
to March 1936. Report. By E.C.
Donaldson Rawlins. 1936.
(Dept. of Overseas Trade No.
641.) X.55.N36 G6 pp.285.

---000---

Dhananjayrao Gadgil Library



GIPE-PUNE-011274

No. 604

Crown Copyright Reserved

DEPARTMENT OF OVERSEAS TRADE

Economic Conditions in JAPAN

1933.—1934

REPORT

By G. B. SANSOM, C.M.G.

Commercial Counsellor, His Majesty's Embassy, Tokyo

and H. A. MACRAE, M.B.E., M.A.

Commercial Secretary, His Majesty's Embassy, Tokyo

With Annexes on Economic Conditions in
FORMOSA, KOREA and JAPANESE
MANDATED TERRITORY

(The previous Report is dated December 31st, 1932)



LONDON

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:

Adastral House, Kingsway, London, W.C.2; 120 George Street, Edinburgh 2;

York Street, Manchester 1; 1 St. Andrew's Crescent, Cardiff;

80 Chichester Street, Belfast;

or through any Bookseller

1935

Price 3s. 6d. Net

54-604

DEPARTMENT OF OVERSEAS TRADE

COMMERCIAL REPRESENTATION ABROAD.

To foster British Overseas Trade, the Department controls the following Services of Commercial Intelligence Officers:—

1. IN THE EMPIRE.

The Trade Commissioner and Imperial Trade Correspondent Services.

At the present time there are 16 Trade Commissioners' offices. These are situated, four in Canada (Montreal, Toronto, Vancouver, Winnipeg); two each in South Africa (Capetown, Johannesburg), Australia (Sydney, Melbourne), India (Calcutta and Bombay—to cover also Ceylon), and British West Indies (Trinidad, Jamaica); and one each in New Zealand (Wellington), Irish Free State (Dublin), Malaya (Singapore) and British East Africa (Nairobi).

The Trade Commissioners have the assistance of Imperial Trade Correspondents at a number of important centres.

There are also Imperial Trade Correspondents in those parts of the Empire to which Trade Commissioners have not been appointed.

2. IN FOREIGN COUNTRIES.

(a) *The Commercial Diplomatic Service attached to the British Diplomatic Missions.*

There are 36 Commercial Diplomatic posts situated in all the more important foreign markets of the world. The members of the Commercial Diplomatic Service are styled "Commercial Counsellors" in the highest grade, and "Commercial Secretaries" in the three lower grades. They are members of the staff of the British Embassy or Legation in which they serve.

The Commercial Diplomatic Officer has general supervision over the commercial work of the consular officers in his area and, with the co-operation of these two services, a complete network of Government commercial representatives is thrown over foreign countries.

The Department is represented in Japan by Mr. G. B. Sansom, C.M.G., Commercial Counsellor, and Mr. H. A. Macrae, M.B.E., M.A., Commercial Secretary, His Majesty's Embassy, Tokyo.

(b) *The British Consular Service.*

Particular attention has been given to the commercial side of consular work since the re-organisation of the service. In certain countries where no Commercial Diplomatic Officer is stationed the senior Consular Officer undertakes duties of a similar character.

Further information regarding the above services can be obtained on application to the Department of Overseas Trade, 35, Old Queen Street, London, S.W.1.

Members of United Kingdom firms are urged to call upon the Department's representative abroad when they visit an overseas country. It is also important that they should make a point of their representatives abroad keeping in close touch with the Department's officers.

NOTE.

It should be understood that the views expressed in annual reports are the views of the officers themselves, and are not necessarily in all respects those of the Department.

CONTENTS

	PAGE
GENERAL STATISTICS AND INFORMATION	5
INFORMATION FOR TRAVELLERS TO JAPAN	8
I. GENERAL ECONOMIC CONDITIONS :—	
Introductory	10
Financial Statistics	20
II. INDUSTRY AND TRADE :—	
The Structure of Industry	24
Recent Developments in Industry	32
Production Costs	35
Government Assistance to Industry and Trade	44
The Major Industries :—	
Agriculture	45
Fisheries	48
Mining	49
Electric Power	51
Textiles	52
Iron and Steel	64
Shipbuilding and Engineering	70
Machinery and Machine Tools	72
Chemicals	74
Cement	76
Pottery and Porcelain	77
Glass	78
Tinned and Bottled Foods	79
Petroleum	80
Minor or New Industries :—	
Tinplate	84
Rubber	85
Automobiles	87
Radio Apparatus, etc.	88
Toys and Fancy Goods	88
III. FOREIGN TRADE :—	
General Features	89
Japanese Competition in World Trade	90
International Trade Problems	96
The Promotion of Foreign Trade	100
The Distribution of Foreign Trade	102
IV. TRANSPORT AND COMMUNICATIONS :—	
Roads	103
Railways	104
Airways	105
Shipping	105
Telegraphs, etc....	106
V. TREATIES, TARIFFS, AND LEGISLATION	
	106

VI. PATENTS AND TRADE MARKS	...	...	...	...	...	PAGE
						11
ANNEXES :—						
I. ECONOMIC CONDITIONS IN FORMOSA	...	...	...	...	...	11
II. " " " KOREA	...	...	...	...	...	12
III. " " " SOUTH SEA ISLANDS MANDATED TERRITORY	...	...	...	...	...	13
APPENDICES :—						
I. Principal imports into Japan Proper and sources of supply, 1932-1934	...	...	...	...	...	14
II. Principal exports from Japan Proper and destinations, 1932-1934	...	...	...	...	...	14
III. Principal imports into Japan Proper from The United Kingdom, 1932-1934	...	...	...	...	...	15
IV. Principal exports from Japan Proper to The United Kingdom, 1932-1934	...	...	...	...	...	15
V. Trade between Japan Proper and British Dominions and Colonies	...	...	...	...	...	15
VI. World distribution of trade of Japan Proper in 1934	...	...	...	...	...	15

GENERAL STATISTICS AND INFORMATION.

Areas:—

	<i>Square kilometres.</i>
Japan Proper, including Hokkaido and Kurile Islands	382,314
Korea	220,741
Formosa and Pescadores Islands	35,974
Japanese Saghalien	36,090
Kwantung Leased Territory	3,462
South Manchuria Railway Zone	290
Mandated Territory:—	
Marianne, Caroline and Marshall Islands	2,149
Total Area	<u>681,020</u>

Population:—

Estimate, at 1st October, 1934, based on Census of 1st October, 1930:—	
Japan Proper	68,194,900
Census of 1st October, 1930:—	
Korea	21,058,305
Formosa	4,592,537
Japanese Saghalien	295,196
Kwantung Leased Territory and South Manchuria Railway Zone	1,328,011
Mandated Territory	69,626
Total	<u>95,538,575</u>

Japanese resident abroad (at 1st October, 1932):—

In Hawaii	146,764
In Manchuria	135,507
In Brazil	132,699
In the U.S.A.	102,895
In China	53,374
In Peru	21,141
In the Philippine Islands and Guam	20,316
In Canada	19,626
In the Dutch East Indies	6,874
In Malaya	5,864
In Cuba	5,824
In Argentina	5,124
In Asiatic Russia	2,201
In Australia and New Zealand	1,962
In other countries	12,095
Total	<u>672,266</u>

Foreigners resident in Japan (at 31st December, 1932):—

British	2,584
U.S.A.	2,063
German	1,057
Russian	1,556
French	479
Chinese	17,874
Other nationalities	1,643
Total	<u>27,256</u>

Language.—English is generally used for foreign commercial correspondent.

Monetary units:—

1 yen = 100 sen.

1 sen = 10 rin.

Rate of Exchange:—

At par, 1 yen = 2s. 0.582d.

Current average rate of exchange, January, 1935:—

1 yen = 1s. 2d.

Principal Japanese Weights and Measures:—

Momme = 2.11 drams = 3.75 grammes.

Kin (160 momme) = 1.32 lb. = 0.60 kilogrammes.

Picul (100 kin) = 132.27 lb. = 60.00 kilogrammes.

Kwan (1,000 momme) = 8.27 lb. = 3.75 kilogrammes.

Koku = 4.96 bushels, and 39.7 gallons = 1.80 hectolitres.

Tsubo = 3.95 sq. yds. = 3.30 centiares.

Cho (3,000 tsubo) = 2.45 acres = 0.99 hectare.

Ri = 2.44 miles = 3.92 kilometres.

Shaku (10 sun) = 11.93 inches = 3.03 decimetres.

N.B.—The metric system has been officially adopted, and the use of metric units, in place of the above, is increasing.

Imports and Exports of Merchandise.—Total imports into Japan Proper not including re-imports of Japanese produce or imports of bullion and specie:—

Year.	Value in yen.
1932	1,427,458,019
1933	1,912,129,942
1934	2,277,041,502

Imports from the United Kingdom:—

Year.	Value in yen.
1932	78,760,233
1933	82,558,928
1934	70,038,955

Total exports from Japan Proper, including re-exports of Japanese produce but not exports of bullion or specie:—

Year.	Value in yen.
1932	1,409,991,977
1933	1,861,045,718
1934	2,171,924,623

Exports to the United Kingdom:—

Year.	Value in yen.
1932	60,536,239
1933	87,849,073
1934	109,269,642

It should be noted that the above figures do not include the values of tinned salmon and tinned crab shipped abroad by direct steamers from the Japanese fisheries in Kamchatka and Siberia. If these shipments, which do not appear in the Japanese Customs Returns, are taken into account, exports to the United Kingdom become:—

Year.	Value in yen.
1932	78,992,239
1933	101,854,570
1934	130,269,642

The foregoing general statistics, and the more detailed statistics given in the Appendices to this Report, are based on the following publications, which are printed in English (or French, in the case of the first-named) as well as in Japanese. These give statistics in full detail, and should be consulted when particular information is required:—

Résumé Statistique de l'Empire du Japon, compiled annually by the Statistical Bureau of the Cabinet. Obtainable from The Maruzen Company, Limited, Booksellers, 6, Tori 2-chome, Nihonbashi-ku, Tokyo. (Price 3 yen 50 sen nett.) This publication contains statistics relating to population, industries, trade, finance, communications, and other subjects.

Monthly Return of the Foreign Trade of Japan, compiled by the Ministry of Finance. Obtainable from The Oriental Economist, 2, 3-chome, Hongokucho, Nihonbashi-ku, Tokyo. (Price 75 sen per copy nett. Annual subscription 9 yen 50 sen including foreign postage.) The Monthly Return of Foreign Trade shows the quantities, as well as the values, of practically all articles imported and exported, and, in the case of the principal articles, shows the principal sources of supply of imports and the principal destinations of exports.

Annual Return of the Foreign Trade of Japan, compiled by the Ministry of Finance. Obtainable from The Sanshodo Company Limited, Booksellers, 1, Tori Jinbo-cho, Kanda-ku, Tokyo. (In 3 Parts; price approximately 3 yen per Part nett.) Part I of the Annual Return of Foreign Trade shows the countries of origin of all articles imported and the destinations of all articles exported, and gives the quantities and values of practically all imports and exports, both for the past year and the previous year. Part II gives the details of the trade with each country separately (quantities and values of the articles exported to, and of the articles exported from, each country) for the past and the previous year. Part III contains the details of imports and exports at each port in Japan Proper in the past year.

INFORMATION FOR TRAVELLERS TO JAPAN.

Time of Visit.—July, August, and the first half of September are unpleasantly hot. People leave the cities for the mountains and the seaside, and little business is done. Government offices are closed in the afternoon from about July 21st to August 31st. Business visitors should also avoid the period from the end of December to mid-January, which is taken up by year-end financial settlements and the New Year holidays. Of the rest of the year the best months as regards weather are October to December, and April and May.

If the hot weather is avoided, clothing of the same weight as worn in the United Kingdom is suitable. During the hot weather tropical clothing is necessary.

Transit from the United Kingdom.

Via Suez, about 6 weeks. 1st Class fare about £108.

Via Canada, about 22 days. 1st Class fare about £91, exclusive of cost of sleeping berths, food, and hotel accommodation while crossing Canada.

Via United States, about 28 days. 1st Class fare about £91, exclusive of sleeping berths, etc., as above.

Via Siberia, about 16 days. 1st Class fare, including cost of sleeping berths but not food, about £63. Travellers are at present liable to meet with discomfort and delay on this route.

The above times and fares do not take air routes into account.

Passports, etc.—The Japanese regulations prohibit the landing in Japanese territory of any person without a valid passport duly visaed by a Japanese Consul or other competent authority; except subjects of certain specified countries, among whom British subjects are not included.

Travellers should take care not to photograph or sketch in prohibited areas.

Customs Examination.—This is made at all ports of entry and frontier stations. Personal effects are admitted free of duty; but the import of tobacco is a government monopoly, and the regulations allow each traveller to import only 50 cigars, 100 cigarettes and $\frac{1}{4}$ lb. of cut tobacco.

Travellers' Samples.—Samples of no commercial value are admitted free of customs duty. If samples are of commercial value (i.e., if they are such as can be sold in the country) the import duty must be deposited. It is refunded if and when the samples are taken out of the country.

Commercial Centres in Japan.—*Tokyo*, the capital, in Eastern Japan, is the financial and commercial centre of the country, containing the Government Departments and the head offices of most of the great Japanese banks and commercial and industrial companies.

Yokohama, twenty miles from Tokyo, is the seaport of Eastern Japan and an important industrial and commercial centre.

Osaka, Kobe, Kyoto and *Nagoya*, in Western Japan, are the centres of the textile industry and of many other manufacturing industries, and of many of the trades in miscellaneous goods. *Osaka* in particular may be described as the Manchester and Birmingham of Japan.

Kobe, twenty miles from Osaka, is the chief seaport of Western Japan and an important industrial and commercial city.

Kyoto, distant an hour by train from Osaka, is a pleasant city to stay in, and a minor industrial centre.

Nagoya, distant by train $3\frac{1}{2}$ hours from Kyoto is an important industrial city and growing seaport.

Moji and Shimonoseki are the commercial ports of the northern part of Kyushu, a centre of the coal and iron, cement, glass-making, rubber, and other industries.

Railway Travel in Japan is cheap, punctual, and fairly comfortable by day, except in the hot weather; but is slower than in the United Kingdom. Night travel is less to be recommended, as the Japanese railways are of narrow gauge, so that sleeping and dressing space is small, and lavatory arrangements are inadequate. Messrs. Thos. Cook and Son, Ltd., who have offices at the Oriental Hotel, Kobe, and the Japan Tourist Bureau, which has offices at all important centres, make travel arrangements, and secure tickets, sleeping berths, hotel accommodation, etc., free of charge.

Hotels.—There are good hotels in Tokyo (Imperial Hotel and Sanno Hotel), Yokohama (Hotel New Grand), Kobe (Tor Hotel and Oriental Hotel), Kyoto (Kyoto Hotel and Miyako Hotel), Osaka (Hotel New Osaka), and between Osaka and Kobe, the Koshien Hotel. Rates per diem are between 3.50 yen and 8 yen for single room only, while rooms with private bathrooms cost about twice as much. If meals are included, the daily charges for single rooms without private bathrooms vary between 11 yen and 14 yen. The cost of meals separately is, breakfast from 1.50 to 2 yen, lunch from 2 to 3 yen, dinner from 2.50 to 3.50 yen; but restaurant prices are both cheaper and dearer than these. Tips are expected, and should not be less than on the 10 per cent. scale.

With the yen at its present value (1s. 2d.) it would be possible for a traveller in Japan, staying at good hotels, to keep his expenses below £1 10s. per diem, including local travelling.

Motor Transport.—Taxicabs are plentiful, and comfortable, in the cities, at a flat rate of about 50 sen within city limits. The country roads are not good enough to make motor touring pleasant.

More particular information as to conditions of business, residence, and travel in the various British Consular Districts in Japan Proper is on record at the British Consulates, and travellers are advised to call at the local Consulate on arriving in the country. There are Consulates in Yokohama, Tokyo, Osaka, Kobe and Nagasaki.

Public Holidays in Japan.—

January 1st, 2nd, 3rd and 5th.

February 11th.

March 21st (or date of Vernal Equinox).

April 3rd and 29th.

September 24th (or date of Autumnal Equinox).

October 17th.

November 3rd and 23rd.

December 25th.

Length of Visit.—Owing to various conditions, including the language difficulty, which make business or other investigations slow for a stranger in Japan, visitors should allow considerably more time for investigation than they would expect to need in European countries or in the U.S.A.

REPORT
ON
ECONOMIC CONDITIONS IN JAPAN
1933—1934

I.—GENERAL ECONOMIC CONDITIONS.

Introductory.—In the last report in this series, describing the situation at the end of 1932, it was stated that, subject to certain reservations, the economic position of Japan was on a short view favourable in comparison with that of most industrialized countries. Developments during the period covered by the present report (the calendar years 1933 and 1934) have on the whole justified that statement. Critics of Japan's financial policy were in 1932 inclined to predict that a series of budget deficits met by loans, accompanied by currency inflation, falling exchange, disturbances of price level, agrarian distress and other adverse factors, would combine to produce some kind of major economic crisis. But so far such predictions have been falsified by events.

It is true that for the past three years state finances have been conducted on apparently unorthodox lines. Recent budget estimates have shown deficits involving the issue of public loans as follows :—

						<i>Yen.</i>
1932-3	...	...	...	...	...	773 million
1933-4	...	...	...	...	...	1,011 "
1934-5	...	...	...	...	...	977 "

These sums were considerable, approaching in the last two fiscal years half the total estimated expenditure in general account, which in each of these years was in the neighbourhood of 2,000 million yen.

Owing to an improvement in revenue from taxation and other sources, combined with an actual expenditure less than estimated, the amounts which it proved necessary to raise by public loan issues were less than were contemplated in the budgets, as is shown by the following figures for the fiscal year 1933-34 :—

		<i>Budget Amount. Million Yen.</i>	<i>Amount issued. Million Yen.</i>
Loans for :—			
Balancing budget deficit	... ..	683	535
“ Manchurian Affairs ”	... ..	190	184
Public undertakings	... ..	137	127
		1,011	846

Nevertheless, the total amounts thus issued remained considerable in relation to total annual expenditure and the absorption of these issues presented a difficult problem for the financial authorities;

but it must be said that it was handled with great skill, assisted perhaps by favourable circumstances. The bonds were issued at suitable intervals. They were taken up in the first place principally by the Bank of Japan, which gradually disposed of a large portion of them by sale to other financial institutions. The open market operations of the Central Bank had to be conducted with great prudence, since it was necessary to encourage investors to take bonds, and at the same time it was important for the Bank not to press too far an easy money policy calculated to encourage investment in state bonds. The following table shows the progress of these open market operations

	1932-3.	1933-4.	1934-5 (to Dec., 1934).
	Million Yen.	Million Yen.	Million Yen.
Amount taken up by Bank of Japan ...	715·0	760·0	541·3
Amount sold by Bank of Japan ...	703·9	755·0	269·6

It will be seen that in the financial years 1932-3 and 1933-4 the amounts absorbed were considerable, and results during 1934 were on the whole not unfavourable.

There has, accordingly, thanks to this absorption, been no considerable increase in note circulation, no abnormal upward movement in prices, no further extensive depreciation of the yen in foreign exchange—in short there have appeared no symptoms of malignant inflations.

The following figures will bear out these statements :—

	Currency notes in circulation.	*Retail Price Index.	*Wholesale Price Index.		Exchange
			A.—General.	B.—Domestic consumption.	Value of Yen T.T. on London Average for Month (pence).
	Million Yen.				
1932—June ...	1,237·9	131·7	146·4	131·7	19·89
December ...	1,562·2	146·0	184·6	151·1	15·08
1933—June ...	1,394·8	142·2	179·6	145·6	14·84
October ...	1,358·1	147·8	180·4	150·1	14·19
December ...	1,678·8	148·7	175·5	149·4	14·33
1934—June ...	1,428·0	147·9	174·5	144·3	14·21
October ...	1,430·9	150·1	181·8	156·3	13·93
December ...	1,457·0	149·9	181·1	154·9	13·99

* These indices are not weighted.

The retail price index is the Bank of Japan figure (July, 1914 = 100).

The general wholesale price index is the Bank of Japan figure (Oct., 1900 = 100).

The wholesale price index B is that of the Mitsubishi Research Bureau (1913 = 100).

It will be noticed that the increase in note circulation has been very moderate. From June 1932 to June 1933 it was $12\frac{1}{2}$ per cent., and from June 1933 to June 1934 it was less than $2\frac{1}{2}$ per cent. It

is true that the total of all money in circulation has increased somewhat more rapidly than note issue, for if we take mobile deposits in banks as an approximate index we find:

Deposits in current account and at notice in all banks in Japan.

					Million Yen.
1932—June	...	...	...	...	1,500
1933—June	...	...	...	...	1,750
1934—June	...	...	...	...	1,940
1934—October	...	...	...	...	1,771
November...	...	...	...	...	1,850
December	...	...	...	...	2,021

which shows nearly 30 per cent. increase between June 1932 and June 1934, and 10 per cent. increase between June 1933 and June 1934. Bank clearings also increased as follows:—

					Million Yen.
1932	...	...	...	...	52,697
1933	...	...	...	...	66,771
1934—(January—November)	...	...	...	...	58,100

But it is clear that this increase in circulation is not inflationary, and has been concurrent and commensurate with developments in industry and trade.

It is significant that, though total deposits in banks have steadily accumulated, bank loans and discounts have not risen much, while banks have invested freely in government bonds and interest rates have continued to fall despite large and continuous issues, as the following figures show:—

All Banks in Japan.

	<i>Deposits in Banks. Million Yen.</i>	<i>Loans and Discounts by Banks. Million Yen.</i>	<i>Investments by Banks. Million Yen.</i>	<i>Bank rate Average.</i>	
					<i>Per cent.</i>
June, 1932	10,666	10,983	4,523	1931	5.4
„ 1933	11,642	10,596	5,584	1932	5.3
„ 1934	12,250	10,139	6,341	1933	4.02
Dec., 1934	12,539	10,252	6,552	1934 (Jan.)	3.65

It would appear that the commercial banks had idle funds of such dimensions as to allow them to make large investments in government bonds without neglecting the demands of industry and trade for new capital. From this point of view the statistics of promotion and extension of business enterprises are interesting:

New incorporations, capital increases by banks and joint stock companies in Japanese territory.

	Million Yen	
	Million Yen	Million Yen
January—June, 1932	144.9	439.5
July—December, 1932	294.6	
January—June, 1933	790.6	1,135.7
July—December, 1933	345.1	
January—June, 1934	524.9	1,334.5
July—November, 1934	809.6	

It looks at first sight as if there had been a remarkable increase in the demand of industry for funds, but on examination of details it emerges that a large proportion of the new issues after 1932 was confined to a small number of industries—such as transportation (S. Manchuria Railway), and the production of chemicals and metal manufactures which owe their need for expansion, to a great extent, to activities in or related to special developments in Manchuria or the production of military and naval equipment and supplies in Japan. Other important industries, though they may now be prosperous, have for some years past been working under output-curtailment agreements, and will not feel the need for capital expansion until their maximum productive capacity is in use.

Further, a special feature of investment in 1933 and 1934 was the amount of money raised by municipalities, banks, and companies, not for new enterprises but for the conversion of their debentures, etc. to a lower interest rate:—

	1932.	1933.	1934 (to June).
	Million Yen.	Million Yen.	Million Yen.
Local Government bonds ...	273·3	909·5	553·4
of which conversion = ...	39·4	672·6	364·1
New financing ...	233·9	236·9	189·3
Bank and Company bonds and debentures ...	682·1	1,614·1	1,378·4
of which conversion = ...	244·1	1,196·8	961·9
New financing ...	448·0	417·3	416·5

The demand of industry for funds has therefore been uneven, while uncertainty as to the future, though it cannot in general be said to amount to pessimism, has tended to discourage investment in other than the highest grades of security. These facts serve to explain why the profits accumulated by prosperous industries, in so far as they have not been ploughed in, have tended to remain idle (in banks) and thus to promote the absorption of bond issues by commercial banks, without causing the contraction of credit which would have ensued had industry been competing for funds with Government. Profiting by these conditions, the Government has been able to issue bonds on terms progressively favourable to itself, as follows:—

Issue date.	Terms of issue of Government bonds.	
	Interest. Per cent.	Yield. Per cent.
1932, March ...	5	5·82
May ...	5	5·80
July ...	5	5·68
November ...	4½	4·90
1933, January ...	4½	4·88
March ...	4½	4·86
1934, March ...	4	4·09
November ...	4	4·09

So far, then, the financial operations of the Government and the Central Bank have been successful. It is true that further issues are required to complete the loan programme for the financial year 1934-5, but good authorities early in 1934 expressed the opinion that as much as 100 million yen of bonds per month could without difficulty be absorbed during that financial year if necessary.

It has to be remembered that the budget estimates of ordinary revenue have been framed on conservative lines and that some increase in the yield of taxation will probably be shown by the settled accounts for the year 1934-5, since assessments will be based on 1933 earnings, which are known to be better than those of 1932; that a part of the money raised will be spent on productive and profit-making enterprises; that there has been some decrease in payments (interest, etc.) abroad owing to appreciation of the yen in terms of the U.S.A. dollar during 1933; and in general that the condition of the money market has so far remained, as explained above, favourable to Government issues.

Doubtless the budget of 1935-6 cannot be faced with the same optimism as that of 1934-5, for it shows a deficit which must be met by loans to the extent of 749 million yen, and when a large proportion of state expenditure is financed in successive years by loans, saturation point is approached probably at increasing speed, so that there is some genuine ground for anxiety. It is obvious that if not the possibility at least the advantage of a loan policy of this kind must diminish as the total annual charge for interest increases. Thus, if the national debt increased to 10,000 million from its present figure of about 8,600 million yen, the annual interest charge would be not far from 500 million yen—in other words, the interest charge alone would be of the same order of magnitude as the average budget deficit of the past three years. The service of the national debt consolidation fund (the amount paid to the fund from General Account) in 1934 was estimated at 378 million yen.

Meanwhile, there are in operation certain favourable factors which are perhaps not generally appreciated.

In the first place, when appraising the position to-day, it is better to refer not to an ideal standard but to the criterion of actual possibilities. At the beginning of 1932 industry and trade were stagnant and the banks were holding immense idle deposits. The Government then embarked upon its policy of reflation and liberal spending; and though it is difficult in these matters to distinguish cause and effect, a close study of recent economic developments leads one to conclude not that the Government has been enabled to float large issues by favourable economic conditions, but rather that the loan-financed expenditure of the Government has set in motion economic forces which were awaiting release and has thus produced those favourable conditions. During a period of world depression production has shown a remarkable increase, export

trade has flourished, and prices have remained fairly steady, while Japan has in some measure escaped the evils of industrial unemployment from which other countries are suffering. An addition to the national debt of some 3,000 million yen (say £200 million) in three years is perhaps not an excessive price to pay for such benefits; and indeed it may be argued that the increase in production constitutes an addition to national wealth sufficient to offset the budget deficits. This may be a better argument for raising taxes than for issuing bonds; but it is at least true that a country which is rapidly increasing its production can more safely depart from financial orthodoxy than one where production is stationary.

The increase in production has been noteworthy. No really satisfactory statistics are available, but it seems to be established that the volume of industrial production has advanced by at least 35 per cent. since 1930, and that most of this increase took place in 1933 and 1934. In the same period the value of exports from Japan Proper increased as follows:—

				<i>Million Yen.</i>	<i>Average Exchange.</i>
					<i>pence.</i>
1932	...	...	...	1,410	Yen=19·12
1933	...	...	...	1,861	Yen=14·48
1934	...	...	...	2,172	Yen=14·14

The above description, taken together with more detailed particulars furnished elsewhere in the appropriate sections of this report, will serve to bring out some of the more favourable aspects of Japan's economic situation at the present time.

Certain less favourable features deserve mention. They may be summarized by stating that, although production has increased, the growth of industrial activity is somewhat uneven, since (apart from the leading export industries) it depends to a great extent directly or indirectly upon the manufacture of military and naval equipment and supplies; that, although there is no abnormal unemployment in industry, there is serious distress in many agricultural areas which is, in fact, a symptom of under-employment and may be regarded as latent unemployment; and that, although the real earnings of industrial workers as a group have increased, the average *per caput* real earnings of the industrial worker have remained stationary or tended to decline during the period under review. In other words, such prosperity as Japan has lately enjoyed has so far benefited only limited sections of the population. It has not been shared by the agrarian class, and it has been of advantage to the workers in industry (apart from those in specially favoured trades—e.g., certain export trades and those connected with the output of munitions) negatively by saving them from unemployment rather than positively by increasing their incomes. Since the agrarian class alone constitutes nearly one-half of the total population, it is clear that consumption in the domestic market must in these circumstances remain low, and that, if we

take into account the small manufacturers and tradesmen who serve the needs of the domestic market, at least one-half of the community is suffering from diminished income or under-employment. These conditions appear to be illustrated by a report (which of course has no exact statistical value) to the effect that at the end of 1934 the large department stores in Tokyo sold of expensive goods 20 per cent. more than usual, of medium priced goods 10 per cent. less than usual, and of cheap goods the same amount as usual.

This relative stagnation in the domestic market must make the outlook unfavourable for those industries which do not derive their profits from the export trade or from Government expenditure upon armaments; and it remains to be seen whether, when the stimulus of such Government expenditure is removed, the favoured industries can hold the position they have gained. In this connection it may be observed that the industries engaged in munitions work have, as a result of their activities, in general improved their equipment and increased their efficiency. These gains may stand them in good stead should they later have occasion to turn to other kinds of production, or to production for other purposes.*

Such, briefly, are the leading features of the economic situation in Japan at the end of 1934, after three years of a policy of State expenditure financed by State borrowing. As to the future results of this policy, so much depends upon factors which it is impossible to foresee, let alone to control (e.g., purchases of raw silk by the U.S.A., and in general economic and political developments in other parts of the world) that it would be idle to venture upon predictions. But it can reasonably be contended that, as a short-run method of dealing with a situation which in other countries has led to unemployment, stagnation of industry and loss of export trade, it has so far been effective. It may be regarded as an experiment in recovery from depression by an unorthodox programme of public works financed by public loans. It is true that a considerable part of the expenditure, in so far as it has been devoted to armaments, may be strictly regarded as unproductive, but its immediate effect in creating employment and purchasing power is probably not different essentially from that which would have followed had it been devoted to other and ostensibly more beneficent purposes. Though it is the function of this report to record and not to prophesy, it may not be out of place to describe certain present conditions which have a direct bearing on future developments. It has been suggested above that there will be increasing difficulty in continuing the budgeting methods of the last three years. The financial authorities have lately insisted upon an attempt to resume normal methods of raising increased revenue

* Some further consideration of this point is attempted below, under the heading Iron and Steel.

by increased taxation, and the 1935-36 budget contains a revenue item of 30.3 million yen, the estimated proceeds of an emergency Business Profits Tax. The amount is small, but its appearance may be regarded as indicating that the Treasury do not wish to prolong the policy of meeting deficits by loans, because it is felt that the conditions which have hitherto favoured the absorption of idle funds by bond issues may not persist. Certainly, as has been pointed out, home trade is not uniformly flourishing; and most authorities seem to think that export trade in 1935 will not show much expansion.

On all the facts it would therefore appear that bond issues must in the near future be slowed down, and that overseas purchases and investments must remain stationary or decline if the *yen* exchange is to be maintained. In this latter connection it is significant that the Treasury recently refused to allow certain Japanese electricity supply companies to remit funds abroad for the purchase of their own foreign debentures, and that (according to press reports) Mr. Takahashi, the Finance Minister, at the turn of the year informed his colleagues in the Cabinet that the investment of Japanese funds in Manchuria was excessive, and likely if continued on the same scale to endanger the *yen* exchange, in view of forthcoming payments for the purchase of the Chinese Eastern Railway and the redemption of sterling bonds. The cash payment for the first instalment of the price of the Railway will be 30,000,000 yen. The sterling bonds in question are £6,000,000 of 4½ per cent. S. Manchuria Railway debentures, which mature in January, 1936, so that, making allowance for the proportion of these bonds now in Japanese hands, preparations will have to be made for the purchase of perhaps £3,000,000 of sterling exchange.

But the present position of Japan in international account is such that overseas payments of such dimensions may disturb its already rather delicate equilibrium. The net adverse balance in international account was calculated at 43,000,000 yen for the fiscal year 1932-33 and 59,000,000 yen for 1933-34. There is no official estimate for 1934-35, but one good authority has predicted a net unfavourable balance for the calendar year 1935 of over 100 million yen.

There is a large element of the hypothetical in these calculations, but their results are probably sufficiently correct to justify the conclusion that some slackening of overseas payments, whether in capital investment or in the purchase of imports, may be necessary in 1935. It is doubtless such considerations that account for the warning words attributed to the Finance Minister; and if he was correctly reported his statement assumes a special interest as defining the present economic relationship between Japan and Manchuria.

The budget totals of state expenditure in respect of Manchuria during the fiscal years 1933-4 and 1934-5 were 185 million yen and 160 million yen respectively, and the estimate for 1935-6 is 171 million yen. These amounts have not hitherto been thought extravagant, because (quite apart from the psychological stimulus provided by the special circumstances of their disbursement) a large proportion, estimated as high as 60 per cent., returns to Japan in the form of payments to contractors, purveyors, shipowners, etc., and remittances to the families of Japanese in military or civil employment in Manchuria. But it seems, from Mr. Takahashi's statement, that the balance (which he puts at 80 million yen for 1934) must, together with private Japanese investments in Manchuria, be regarded as a foreign disbursement by Japan on international account having the same effect upon the yen exchange as any other expenditure in a foreign country. This may be interpreted as evidence that a Japan-Manchuria economic bloc has not yet been constituted, and that for the present the capital resources of Japan do not suffice for the economic development of Manchuria at the pace which it has hitherto maintained.

From the monetary point of view the bloc is also unconstituted, since the Manchurian currency is on a silver basis whereas Japanese currency is in theory on a gold basis and in practice has in recent years been linked to sterling.

Particulars of the total of new private Japanese investments in Manchuria for the past three years are not available, but they appear to have been considerable, especially if we include debenture issues by the South Manchuria Railway. There are, however, some signs that the rate of investment will slacken, and it would appear from stock exchange returns and other evidence that the confidence of investors in industrial or commercial enterprises in Manchuria has somewhat diminished. The following quotations on the whole tend to confirm this opinion. They need not, of course, be taken to express pessimism as to the ultimate success of those undertakings, but rather a feeling that quick returns cannot generally be hoped for.

Stock Exchange quotations of shares of companies engaged in enterprises in Manchuria.

	1933.	1934.		
		June.	November.	December.
S.M.R. (old)	70·9	68·0	—	64·1
Toa Tobacco Co.	85·0	82·4	—	76·5
Dairen Trust Co.	31·3	24·9	—	23·5
Dairen Stock Exchange	33·7	25·7	—	23·0
Japan-Manchuria Aluminium Co.	10·0	34·3	—	24·7
Manchuria Chemical Industry Co.	26·6	36·5	—	33·2
Manchuria Stock Exchange	—	—	26·0	30·5
Manchuria Industrial Co. (Manshū Kōshō)	30·6	29·0	27·0	26·8

	1933.		1934.		
			June.	November.	December.
Manmo Keori Kabushiki Kaisha (Wool)	—	—	—	14·3	14·0
Manshu Denshin (Telegraphs) ...	19·3	—	19·2	16·5	16·0
Japan-Manchuria Flax... ..	—	—	—	9·5	9·5
Manchuria Beer... ..	—	—	—	25·5	26·0
Japan-Manchuria Flour	—	—	—	43·5	46·0
Manchuria Cement Co.... ..	—	—	19·3	9·8	8·8
To-Man Pulp	—	—	—	12·0	11·5
Manchuria Pulp	—	—	—	9·2	9·7
Japan-Manchuria Leather	—	—	—	6·5	7·0

The above-described circumstances have an important bearing on the problem of the future development of Manchuria, and indirectly on the question, recently in the foreground, of investment in that territory by foreign countries. Exports from Manchuria have declined sharply in value since 1931, and there is an evident shortage of funds for foreign purchases. The position is thus described by a leading economic journal (*Toyo Keizai*, November, 1934), commenting on a visit of the Federation of British Industries mission: "Just now Manchukuo's chief requirements are rolling stock and construction material for railways, bridges, buildings, etc. If any foreign country wishes to cater to that demand, Manchukuo must either be granted long-term loans to finance the purchases or her agricultural products must be bought to the same degree. For . . . she lacks means to purchase much more merchandise than she is now buying. It is unfortunate that Great Britain apparently is not yet ready to effect long period investments in Manchukuo or in other foreign countries . . . Short period bank credits would not take care of Manchukuo's case. At the same time, it is patent that England can never be a big customer for farm crops, the main product of Manchukuo. In such circumstances if she—or any other foreign nation—is really anxious to open the Manchukuo market to her merchandise, the wisest course will be to take payment out of Japanese investments in Manchukuo."

But if the Japanese financial authorities are for the present inclined to discourage Japanese investments in Manchuria, this solution of the difficulty seems to be excluded. The writer just quoted offers the suggestion that, in order to enable Japan to maintain and increase her investments in Manchuria, Great Britain should strive for harmonious relations with Japan, and adds that "any policy which runs counter to the unobstructed movement of Japanese merchandise to the British Empire will impede British exports not only to Japan but to Manchukuo and in fact to the entire Far East." One need not follow this argument to its conclusion; but it is true enough that the further development of Japan's purchases and investments overseas, whether in Manchuria or elsewhere, must depend upon her earnings by the export of goods and services.

The following section contains, under the relevant headings, comparative statistical material which will serve to illustrate the foregoing summary :—

Financial Statistics.

(a) Budgets.

Total expenditure in last 10 years, compared with ordinary revenue, i.e., revenue from taxation and government enterprises, but not receipts from surpluses, loans or non-recurrent receipts from special sources.

Year ended March.	Total expenditure.	Total ordinary revenue.
1926 (settled account)	1,522	1,443
1927 " "	1,579	1,452
1928 " "	1,765	1,484
1929 " "	1,814	1,505
1930 " "	1,736	1,481
1931 " "	1,557	1,422
1932 " "	1,489	1,315
1933 (budget)	1,995	1,282
1934 " "	2,321	1,292
1935 " "	2,213	1,248
1936 (estimates before Diet)	2,193	1,335

Note.—From the year 1934–5 budget estimates do not include revenue and expenditure of the Communications Special Account which in that year balanced at 189 million yen.

(b) Distribution of Budget Expenditure in General Account by departments.

	Million Yen.				
	1931–2.	1932–3.	1933–4.	1934–5.	1935–6.
Imperial Household	4·5	4·5	4·5	4·5	4·5
Foreign Affairs	17·6	29·3	30·0	28·0	29·6
Interior	141·6	221·1	239·8	216·0	161·3
Finance	307·7	370·3	462·4	472·7	473·4
War	188·6	386·0	447·6	453·2	492·9
Marine	210·9	300·0	403·7	488·5	529·6
Justice	32·8	32·7	36·3	35·9	38·2
Education	138·3	146·7	152·1	155·1	148·2
Agriculture and Forestry	56·9	98·4	122·8	132·5	91·5
Commerce and Industry	10·9	12·5	14·0	13·8	13·4
Communications	170·3	179·3	187·8	189·9	189·8
Overseas Affairs	26·8	23·6	30·2	23·0	20·6
	1,306·9	1,804·4	2,132·2	2,213·5	2,193·4
	182*	191*	189*	—	—
	1,488·9	1,995·4	2,321·2	2,213·5	2,193·4

* These are amounts of certain expenditure in respect of Communications which, as they do not appear in the budget, but in independent special accounts, from 1934–5, have been shown separately for proper comparison of expenditure by departments. They represent deductions from the budgets of the Finance and Communications departments in respect of Communications expenditure and the figures for 1931–2 and 1932–3 are approximate, being based upon the official figures published for 1933–4.

(c) *Special Accounts.*

The total of state expenditure comprises the Budget General Account and a number of Special Accounts, of which the most important are :

		1934—35.	
		<i>Revenue.</i>	<i>Expenditure.</i>
		<i>Million Yen.</i>	<i>Million Yen.</i>
Monopoly Bureau	... ..	352	160
Railways	... ..	674	584
Communications (Posts, Telegraphs and Telephones)	... ..	273	264

which are profit making undertakings, furnishing a source of revenue in general account ; and the Special Accounts of

Korean Government-General,
Kwantung Leased Territory,
Formosan Government-General,
Sakhalin Government,
South Seas Mandatory Government.

Special expenditure in all these accounts (e.g., for railway construction) is usually met by loans in addition to loans shown in General Account.

(d) *Principal items of expenditure 1934-5.*

		<i>Million Yen.</i>
Ministry of Interior—		
Road construction and unemployment relief	... ..	28·6
Ministry of Finance—		
National debt service	... ..	378·6
Ministry of War—		
“ Manchurian incident ”	... ..	140·8
Army reorganisation and new arms	... ..	130·0
Ministry of Marine—		
New ships and air force equipment	... ..	155·0

These items alone are equal to 37½ per cent. of the total expenditure in general account for the financial year, although substantial reductions as compared with the previous year were made in expenditure by the Ministries of Agriculture and the Interior upon relief. The proportion of total expenditure assigned to the Ministries of War and Marine amounts to about 44 per cent. of total expenditure and 70 per cent. of total revenue other than loans.

1935-6.

The estimated expenditure of the Ministries of War and Marine for 1935-6 amounts to 1,023 million yen, or 46 per cent. of total expenditure and 70 per cent. of total revenue other than loans. The vote for relief of agrarian distress is still under discussion.

(e) *Total expenditure met by loans, including loans to balance budget deficits, loans for public undertakings in both general and special account, and loans for the “ Manchurian Incident ”.*

		<i>Amount of bond issue contemplated in budget.</i>	<i>Actual amount of bond issue.</i>
		<i>Million Yen.</i>	<i>Million Yen.</i>
1932-3	... ..	773	781·3
1933-4	... ..	1,011·8	846·7
1934-5	... ..	977·0	500·0*
1935-6 (Estimates before the Diet)	... ..	749	—
Total	... ..	3,511·4	2,128·0*

* Up to the end of 1934.

(f) *Analysis of purposes for which loans were to be raised.*

	1932-3. (actual amounts).	1933-4. (actual amounts).	1934-5. (estimated).	1935-6. (estimates before Diet).
	(Million Yen).			
Public undertakings ...	132.3	127.1	115.5	13.0
Manchurian Incident ...	310.7	184.5	159.3	170.7
To balance budget deficit ...	338.3	535.0	702.2	565.8
	<u>781.3</u>	<u>846.6</u>	<u>977.0</u>	<u>749.6</u>

(g) *Principal sources of Revenue in Budget General Account.*

	1933-4. Million Yen.	1934-5. Million Yen.	1935-6. Million Yen.
<i>Ordinary Revenue—</i>			
Taxation	692.0	775.2	828.7
Revenue Stamps	67.3	73.6	82.2
Proceeds from Government under- takings and property	218.7	254.9	276.4
From special accounts	77.2	78.0	84.2
All other	62.5	66.8	63.8
Total	<u>1,117.7</u>	<u>1,248.5</u>	<u>1,335.5</u>
<i>Extraordinary Revenue—</i>			
Emergency Business Profits tax	—	—	30.3
Loans	933.7	891.1	749.6
All other	80.1	83.8	77.9
Total	<u>1,013.8</u>	<u>964.9</u>	<u>857.8</u>
Total Revenue	<u>Million Yen 2,131.5</u>	<u>2,213.5</u>	<u>2,193.4</u>

(h) *National debt.*

	March 31, 1931.	March 31, 1932.	March 31, 1933.	End of 1934.
	(Million Yen).			
Internal loans	4,476	4,715	5,663	7,242.6
External loans (calculated in yen at parity)	1,479	1,472	1,390	1,408.3
	<u>5,955</u>	<u>6,187</u>	<u>7,054</u>	<u>8,650.9</u>
Per head of population	Yen 66.50	73.40	83.81	(estimate)

(i) *Local Government debt.*

	1931.	1932.	1933.	1934.
	(Million Yen).			
	2,374.4	2,535.0	2,728.2	2,957.4
of which external debt... ..	223.7	million yen at end of 1934.		

(j) *Position in international account.*

These figures refer to current income and expenditure and not of course to capital account. They are official figures but they do not claim to be more than approximations.

	<i>Fiscal year 1933-4. Million Yen.</i>	<i>Fiscal year 1932-3. Million Yen.</i>
A. <i>Ordinary Income</i>	675·68	577·42
(1) Interest and Dividends	25·75	19·36
(2) Profits from enterprises and labour abroad	174·35	157·24
(3) Freight and Insurance	346·38	299·10
(4) All other ordinary receipts	129·20	101·71
Total	<u>675·68</u>	<u>577·42</u>
B. <i>Extraordinary Income</i>	308·95	190·46
<hr/>		
A. <i>Ordinary Expenditure</i>	602·74	462·16
(1) Interest and Dividends	143·71	108·33
(2) Freight and Insurance	211·72	190·50
(3) All other ordinary expenditure... ..	247·31	163·33
Total	<u>602·74</u>	<u>462·16</u>
B. <i>Extraordinary Expenditure</i>	363·54	290·60
<hr/>		
Total income	984·64	767·88
Total expenditure	966·28	752·76
Excess of income	18·36	15·12
Calendar year—Excess of imports in visible trade	77·87	58·79
Approximate Net Balance of inter- national account	<u>- 59·51</u>	<u>- 43·67</u>

(k) *Japanese holdings on October 1, 1933, of foreign securities, of Japanese securities in foreign currencies and of funds in foreign currencies, as reported to the Finance Ministry under provisions of the Exchange Control regulations.*

1. *Foreign securities—*

Total Yen 359 million (at mint parity).

	<i>Held in Japan. Million Yen.</i>	<i>Held abroad. Million Yen.</i>
Government bonds	12·6	227·8
Local Government bonds	·2	13·0
Bank and Company bonds	1·5	25·0
Shares	38·8	40·0
	<u>53·1</u>	<u>305·8</u>

2. *Japanese securities in terms of foreign currencies—*

	<i>Total Yen 703 million (at mint parity).</i>	
	<i>Held in Japan.</i>	<i>Held abroad.</i>
	<i>Million Yen.</i>	<i>Million Yen.</i>
Government bonds	264·3	283·9
Local Government bonds ...	21·7	18·7
Bank and Company bonds ...	85·8	23·5
	<hr/>	<hr/>
	371·8	331·1
	<hr/>	<hr/>

3. *Deposits and loans in terms of foreign currency—*

	<i>Million Yen.</i>	
Deposits	242·8	
Loans	142·1	
	<hr/>	
Total	384·9	(at mint parity)

II.—INDUSTRY AND TRADE.**THE STRUCTURE OF INDUSTRY.**

In 1932, at the time when the last report in this series was written, public opinion abroad was inclined to attribute Japan's successes in industry and trade to such causes as low wages, sweated labour, dumping, subsidies and the advantage, whether fortuitous or manipulated, of a depressed exchange. Little credit was given her for the native skill of her workers, for the increased efficiency of processes or for the improved organization of manufacture and sale. Since that date the pendulum has swung, and there is now apparent in some quarters a tendency to ascribe to Japan a degree of perfection in her economic structure which scarcely accords with the facts and which indeed Japanese industrial leaders themselves would certainly not claim.

It therefore seems desirable to examine the present structure of industry with these two extreme types of opinion in view, in the hope of discovering where between them lies the truth. For this purpose it is convenient to begin with some analysis of the fundamental factor in productive industry, namely the labour power upon which it depends. The classification (based on census returns) of all occupied persons at the end of 1930 in Japan Proper was as follows:—

	<i>Million.</i>
Agriculture	14·104
Fisheries	·585
Mining	·303
Manufactures	5·414
Trade	4·959
Transport and Communications	·932
Public service and Professions	2·051
Domestic occupations	·815
All other occupations	·056
	<hr/>
Total occupied persons	29·221
„ unoccupied persons	34·846
	<hr/>
Total population	64·067
	<hr/>

It will be observed that of the total population at work nearly one half is engaged in agriculture; but the agricultural population has remained nearly stationary for the last decade or more, and its ratio to total population tends to decrease. In other words, the population of Japan is being industrialized and urbanized. The reasons for this change are various, and cannot be examined in detail here; but they may be summarized by saying that the production of rice and silk, the two main occupations of the agricultural class, have reached a point where they cannot profitably absorb any more labour. The standard of life in rural districts is therefore stationary or declining, while the birth-rate in those districts is higher than in the towns, so that there is a strong tendency for population to flow from rural to urban districts, a tendency which is of course strengthened by the superior attractions of city life. At present, says Professor T. Uyeda, who is a leading authority on these questions, "the population of rural districts has not only reached saturation point, but a state of actual over-population exists". He shows, moreover, by a study of age groups, that in agriculture there is a decrease in groups up to 44 years and an increase in groups over 44 years, whereas the opposite is true of manufacturing industries and trade.

It might be supposed that, since the rural population is stationary, the industrial population has increased with the increase of total population; but actually the statistics of employment in manufacturing industries show a decrease, during the decade 1920-1930, as follows :—

1920	...	...	5,317,000
*1930	...	...	5,184,000

This decrease is due to several factors, most important of which is a decrease in female and juvenile employment, which was large enough to counterbalance an increase in the employment of male workers. This net decrease in the numbers employed in manufacturing industries took place during a period in which industrial production undoubtedly increased; and from these facts the conclusion may be drawn that the increase in production was the result of an advance in industrial efficiency. Observation of results bears out this inference. There can be no doubt that the advance in industrial efficiency was brought about by a process of rationalization and increased mechanization which, as was explained in the last report in this series, enabled Japan from 1932 onwards to take full advantage of other favourable circumstances and to develop her export trade in a spectacular manner.

* Some objections have been raised to the technique by which these 1930 figures have been reached, but their imperfections, if any, are not sufficient to invalidate the argument which follows.

Statistics of the employment of the working population since 1930 are not yet available. The rate of increase of industrial production has been well maintained since 1930, but it is pretty clear that manufacturing industry has not been able to absorb the increasing number of persons becoming available for employment year by year. In the years 1920-1930 the numbers of employed persons in the groups of trade, public and professional and personal service increased by nearly two millions, which was greater than the increase, during the same period, in the total number of persons in all occupations. This means that, although manufacturing industry could not absorb new recruits at the rate of population increase, these other groups were able to absorb the greater part of the population increase; and since at the same time (by reason of social legislation, prolonged education, etc.) there was a decline in female and juvenile employment which made room for adult male labour, there has not yet appeared in Japan the phenomenon of unemployment as revealed in statistics in other countries. But closer examination shows that conditions which in fact amount to unemployment do exist on a considerable scale. In the first place, the condition of agriculture and sericulture in Japan to-day is such that, except in favourably situated areas, a state of actual overpopulation exists. In the second place, the population which according to employment statistics is engaged in "trade" includes all those employed in retail trade, in entertainment, restaurant-keeping, and personal services of all kinds. But these are to a great extent dependent upon the prosperity of other occupational groups, and in present circumstances at least it is clear that the livelihood of great numbers of people in this group is poor and precarious.

It is safe to say that within the occupational groups comprising agriculture, trade, and direct services there is either under-employment or latent unemployment of considerable dimensions. It does not appear in statistics, partly because of certain special features of the social system in Japan, and partly because of inadequate methods of enquiry; but since the groups in question contain some 20 million out of a total working population of under 30 million the position is clearly an unsatisfactory one.

The official figure of unemployment at the end of 1933 was 378,921, whereas if 5 per cent. of the 20 million members of the above groups were to be regarded as unemployed the figure would be one million. This, however, is mere conjecture; and the only positive statement that can be made in this connection is that the degree of unemployment and under-employment is such as to provide a reserve of surplus labour upon which manufacturing industry can draw without offering any advance upon prevailing wage rates. In other words, manufactures, although they have not, as it has sometimes been stated, forced wages down, have at least not needed to increase them. This is clear from statistical

data, as for instance the wage index compiled by the Bank of Japan in respect of factory labour. It shows, on the basis of 1926=100, the following movement :—

	<i>Daily wage rate.</i>	<i>Actual daily money earnings.</i>
1931 average)	91·3	90·7
1932 („)	88·1	88·1
1933 („)	85·1	89·2
1934 January	84·1	87·8
September	82·6	90·0
October	82·6	91·1

It will be seen that, according to these figures (which cover about 4,000 establishments employing about one million men) the wage rates of factory workers as a group have declined; their actual daily earnings have tended to rise slightly—owing chiefly to overtime payments in certain prosperous industries. Their real wages, in terms of commodities, calculated with reference to the retail price index, have fallen since 1931.

These facts have an important bearing upon the problem of industrial competition from Japan. They indicate that in present conditions there is no strong tendency for wages to increase except in specially favoured trades, while there are several major factors which continue to depress them. At the same time, as has been already suggested, statistics of employment and production seem to justify the inference that there has been an advance of efficiency in manufacturing industry as a whole, and that the average efficiency of the individual worker, if it has not improved, has certainly been maintained.

The above-cited figures of employment in the occupational group of manufacturing industry include all persons engaged in that industry, whether in factories or in private establishments or in their own homes. But for a correct picture of the present condition of manufacturing industry in Japan it is important to understand how employment is distributed within the group. The latest figures available show that at the end of 1933 the number of wage-earning industrial workers was as follows :

	<i>Million.</i>
Factory workers	2·234
Miners	·227
Workers in transport, etc.	·556
Day labourers and others	2·107
	<hr/>
	5·125

Of these 5·12 million industrial workers, the number employed in manufacturing industry is not stated in the returns, but since the total number of persons whose occupation was in manufacturing industry amounted at the end of 1930 to 5·4 million, it may be assumed that the figure for 1933 was greater than 5·4 million.

Since 2.2 million were factory workers, then more than 3.2 million persons must have been occupied in manufacturing industry in other capacities, namely as employers or as independent workers or as home workers or in establishments employing less than 5 persons and therefore not included in official factory statistics. It is thus apparent that Japanese manufacturing industry depends to a very large extent upon small-scale producers, and that it is yet far from consisting of large and highly organized units. Moreover, even among the establishments officially classified as factories, small establishments preponderate, as will be seen from the following return :

Classification of factories by number of operatives, at end of 1932.

<i>Class by number of operatives.</i>	<i>Number of factories in each class.</i>	<i>Number of operatives in each class.</i>
5-9	39,545	222,941
10-14	8,780	101,038
15-29	9,876	197,948
30-49	4,160	155,542
50-99	2,907	198,756
100-199	1,415	194,048
200-499	807	244,526
500-999	297	203,165
1,000 and up	165	321,094
Total factory operatives ...		1,837,058
Add wage earning employees other than operatives		92,096
Total wage earners em- ployed in factories ...		1,929,154

It will be observed that the number of small factories is very high ; and if we add to the employees in small factories the workers in small establishments not recorded as factories, we see to what an important extent the production of manufactured goods in Japan depends upon the small man. It is still true to say, in the words of an official document of 1931, that " productive industry, though now in the early stages of transition to large scale production, is still for the most part composed of small or medium undertakings which suffer from lack of capital resources and equipment."

There is in fact a great variety in the character and scale of manufacturing establishments in Japan, ranging from the smallest individual concerns, through the home industries, sometimes independent and sometimes grouped round and virtually forming part of a factory ; the small factory, sometimes little more than an enlarged family workshop and sometimes compact and highly organized ; up to the big, efficient, disciplined works whose operatives are numbered by thousands. With disparity in kind goes a considerable

disparity in wage rates, in conditions of employment and in production costs. This is not the place to discuss such matters in detail, but some official statistics concerning wages, etc. may usefully be quoted here :

(a) The returns of the Ministry of Commerce and Industry for September, 1934 give the following results :—

	<i>Average daily wage per person in Yen.</i>	<i>Average working days per month.</i>	<i>Average hours worked per day.</i>
Males (average of 59 trades)	1.96	25.8	10.12
Females ... ..	.73	25.5	9.23
Combined average ...	1.72	25.7	10.02

(b) An annual enquiry made by the Cabinet Statistical Bureau, covering 953 factories and 392,204 workers, gives for the year 1933 :—

<i>Factory workers.</i>					<i>Average wages, end of 1933. Yen.</i>
Men ... ..	...	...	...	...	2.621 per diem.
Women ... ..	...	...	...	...	.737 "
All workers ... ..	...	...	...	...	1.956 "
<i>Average working hours</i> ... ..	...	...	...	...	10h. 10m. per diem, less average rest periods 57m.

These amounts include all allowances, bonus, etc. The highest average wage for men was 3.225 yen in the metal working trades ; the lowest 1.424 yen in the textile trades.

(c) The Third Labour Census, of 1930, gave the following result, for industrial occupations :—

	<i>Average actual earnings.</i>		
	<i>Male.</i>	<i>Female.</i>	<i>Combined.</i>
Number of workers ...	623,678	669,460	1,293,138
	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>
Average wage per diem	2.05	0.71	1.36

(d) The third Labour Census of 1930, in an investigation of the nature of payments received by factory workers, found that of 1,293,138 factory workers, 625,727 persons received as part of their wages no payment in kind ; 667,447 persons received as part of their wages and in addition to money payments, payments in kind.

The average daily money wage of the first class was 1.82 yen, of the second class 1.08 yen, of which 0.92 yen was in cash and 0.16 yen in kind. The average daily wage of the two classes combined was in terms of money 1.44 yen.

Though there is a considerable difference in the averages stated by these several enquiries, this is to be expected in view of the great variety in type of employment which, as has just been stated, is characteristic of Japanese industrial concerns. It is permissible, however, to draw the general inference that an average wage of under 2 yen *per diem* is amply sufficient to attract male workers from rural to urban employment.

By English standards this seems an extremely small sum. It is indeed small, but it is much higher than it appears at first sight, if its purchasing power be taken into account. Cost of living statistics must be used with great caution, but certain results obtained by the Cabinet Statistical Bureau in a survey conducted in 1932 and 1933, for the purpose of furnishing the Government with data upon which to base their policy of price control in respect of rice, provide a valuable indication. They show that an income of 45 yen *per mensem* is at the margin of decent subsistence for an urban working class family consisting of less than 3 consumer units—say a husband, wife and at most 2 small children. For 890 households of factory workers the average income per household (i.e. the income of all members from all sources) was 86.07 yen *per mensem*, and the average expenditure in such households was 74.57 yen.

If 45 yen *per mensem* will just support a small working class household, it is obvious that a great deal of work will be done by members of such households, in home industries or in small operations farmed out by factories, without much reference to wage rates payable in factories; and in fact this phenomenon may be freely observed in Japan, where it is common to see women and children and elderly persons spending their spare time in, for example, labelling match boxes, sewing machine-made hosiery, packing pencils, painting pottery, and so on.

All the factors described above combine to keep down wage rates in Japan and it would therefore seem that, in so far as wage rates enter into the margin of competition between exporting countries, Japan's competitors cannot in the near future look for any relief in this respect.

It has been suggested lately that there is a prospect of solving problems caused by Japanese competition in the export markets of the world by means of co-operation between the industrialists of the United Kingdom and Japan. This co-operation (to quote from the report of the Federation of British Industries' mission to the Far East in 1934) might be realized "by conscious directional control of exports, by means of a division of markets upon a percentage or some other quantitative basis; by some similar agreement upon a territorial basis; by mutual action to develop in co-operation some of the more backward markets of the world; by agreements as to the level of export prices; by some rationalization of production, according to type and quality; or by joint manufacturing activities."

Certainly these possibilities should be explored, and there is perhaps more hope of their realization to-day than there was a year or two ago. The Japanese authorities are fully aware of the

difficulties—the dislocation of trade and the resultant animosity and friction tending always to lead to reprisals and restrictions—caused in foreign markets by the advances of Japan's export industries; and they have in several cases manifested a readiness to promote arrangements in mitigation of those difficulties. With regard to market-sharing and similar questions, Mr. Machida, the Minister of Commerce, has lately stated in the press his opinion that Japanese manufacturers should join international cartels, a step which they, being at the height of their prosperity, have hitherto been reluctant to take.

The feeling is growing in instructed circles in Japan that (to quote again the reported language of Mr. Machida) “a too rapid development arouses the jealousy and resentment of others, and we must of necessity, in view of present international trends, do our best by taking a conciliatory line to moderate those feelings of jealousy and resentment.”

But, though there is evidence enough to show that the authorities and a number of industrialists are persuaded of the need for co-operation, it cannot yet be said that such views are strongly or generally held. For this reason alone it would be a mistake to suppose that what is somewhat loosely called co-operation can easily take a concrete, practical shape as between Japanese industry and United Kingdom industry within their range of competition and on an important scale. There is moreover a further obstacle, in the structure of Japanese industry itself, as will perhaps have been already gathered from the foregoing description of its constituent parts; for in many fields of production the types of producer are so various and, indeed, ill-assorted that the task of co-ordinating their activities, even for the strictly domestic objective of harmonizing internal supply and demand, is proving one of great difficulty for the Japanese Government.

The great variety in the character and scale of manufacturing establishments in Japan, to which attention has been drawn above, is obviously a serious obstacle in the way of schemes for the unification of given industries, since such schemes, to be effective, presuppose the reconciliation of the diverse and often conflicting interests of many types of producer as well as many kinds of worker and consumer. If, in addition, the interests of exporters, working on different scales and for different markets, must be taken into account, the task of unification becomes even more complex; and it is easy to see that its accomplishment may entail such sacrifices on the part of one element for the benefit of others that the most rational of schemes may well encounter opposition from its earliest stages. Equally, it should be remembered, a highly organized and powerful industry, such as the cotton textile industry, is by very reason of its exceptional strength able to resist, if it thinks fit, all but the

ultimate forms of official persuasion, as was demonstrated during the Indo-Japanese negotiations of 1933 and (though to a less extent) the Anglo-Japanese cotton discussions of 1934.

Such circumstances as these have already been found in practice to impede the progress of schemes of industrial co-ordination undertaken by the Government, despite the extensive powers conferred upon them by legislation, and one cannot escape the conclusion that, whereas the growth of Japanese industry in its earlier stages owed a great deal to official participation, support and guidance, it has now developed within a predominantly capitalist framework to a point of complexity and strength where Government intervention raises problems of increasing difficulty.

It is therefore not surprising that certain recent efforts to reconcile United Kingdom and Japanese industrial interests, though they had sympathy from official quarters, have failed so far to produce satisfactory results, principally because the Japanese industries concerned have not been fully organized for corporate bargaining.

It will be understood, therefore, that the problem of co-operation between United Kingdom and Japanese industry, though doubtless in the long run not insoluble, is likely to require long and patient effort on both sides. It cannot be dealt with by simple concord on general principles, though, of course, it must be built on that foundation. In other words, it would not at present be prudent to assume that, because the Japanese Government in principle favours agreements between Japanese industries and their foreign rivals, in practice such agreements can be easily reached or, being reached, can in all circumstances be satisfactorily operated.

RECENT DEVELOPMENTS IN JAPANESE INDUSTRY.

Before proceeding to detailed accounts of certain of the leading industries of Japan, some further comments upon the present position of industry in general may be usefully given here.

In the first place it should be stated that, although there has been a considerable advance in production in most fields during 1933 and 1934, agreements for the curtailment of production are at the time of writing still in force in a number of leading industries, including cotton yarn, spun silk yarn, woollen yarn, cotton tissues, paper, cement, steel and coal. Productive capacity is therefore far from being fully utilized; and yet, since in certain cases production increased despite the maintenance of previous rates of curtailment, it is clear that productive capacity has continued to advance.

The increase of production is to be attributed chiefly to the continued growth of the export trade and to the expanding demand for naval and military equipment and supplies. It is interesting to note that the increase was 15 per cent. in producers' goods but only 2·8 per cent. in consumers' goods.

The following figures (compiled by the Mitsubishi Economic Research Bureau) give some idea of the development of industrial production in 1933 and 1934 :—

<i>Indices of Industrial Production (1930=100).</i>				
	<i>1931.</i>	<i>1932.</i>	<i>1933.</i>	<i>1934.</i>
	<i>Average.</i>	<i>Average.</i>	<i>Jan.-Sept.</i>	<i>Jan.-Sept.</i>
			<i>Average.</i>	<i>Average.</i>
General Index ...	102·43	107·89	121·90	133·26
Manufactures ...	104·54	111·14	126·14	137·59
Minerals ...	91·44	90·92	99·78	110·67
Producers' Goods ...	102·60	107·55	122·32	140·52
Consumers' Goods...	102·08	109·28	121·58	124·99
Textiles ...	106·05	112·90	123·79	140·97
Chemicals ...	108·26	118·92	138·37	148·52
Pigiron ...	85·00	93·10	117·44	141·30
Steel products ...	84·70	108·50	132·20	166·79

The greatly increased production, and the still greater productive capacity, to which these figures bear witness is in some respects a cause for anxiety, for should financial or other conditions result in a diminution of demand—as for instance through a quick reduction of government expenditure or a marked failure of exports to expand—the shock to the economic fabric might be severe. For this reason a renewed tendency towards consolidation of industrial enterprise by cartelization and similar methods has been apparent of late, and the Government has proceeded rather more actively than before with its policy of control on the basis of the Staple Industries Control Law of 1931.

This law now applies to 24 industries, viz. those producing :—

Cotton yarn.	Pig iron.
Spun silk yarn.	Iron alloys.
Rayon yarn.	Steel bars.
Paper.	Steel angles.
Cardboard.	Steel plates.
Carbide.	Wire rods.
Bleaching powder.	Copper and brass plates,
Sulphuric acid.	cold rolled.
Oxygen.	Carbon bisulphide.
Hardened oil.	Refined sugar.
Cement.	Gasoline.
Wheat flour.	Coal.
	Beer.

The degree of control exercised varies, and so far the Government has in very few cases exercised its compulsory or restrictive powers. Difficulties have arisen in several instances, and as has been suggested in the preceding section it is not always easy for the Government to force agreement upon all the units in a given industry, sometimes because they are so powerful, sometimes because they are so heterogeneous. Consequently it has of late been suggested that still wider powers should be conferred upon the Government, enabling it to enforce cartelization, production and sales agreements, etc., when these are deemed to be

in the public interest. Certainly the need for control of production has become more apparent since the date of the passage of the legislation now in force. The profits lately made by many industries have not only stimulated increases of production and capacity in existing concerns, but they have also encouraged newcomers to enter the same fields, with resulting dangers of reckless competition and over-production (e.g. in rayon, cement, sulphate of ammonia); or they have so increased the relative strength of already powerful combinations as to confer upon them a virtual monopoly (e.g. in paper manufacture and brewing).

It seems therefore that the Government will be forced to take a more and more active part in the development of a planned economy; and it will be interesting to observe the conflict which can scarcely be avoided, even in Japan where a large measure of state intervention is traditional, between industrial and financial influence on the one hand and official powers on the other. The result of this interplay of forces cannot fail to be of interest to United Kingdom industry, for on it will depend in a large measure the future quantity and direction of Japan's industrial effort, and consequently the nature of her competition in export markets, to say nothing of the constitution of her foreign purchases, whether of raw materials or of manufactures. In fact an example has already been furnished by the policy of the Japanese Government in respect of oil, as it is expressed in the Petroleum Industry Law of 1934. By this legislation the industry came under Government control, and though its ultimate effects upon foreign oil interests cannot yet be foreseen they are likely to be important.

Although the great increase in industrial production recorded above was exhibited chiefly in the textile industries, which have been the mainstay of Japan's industrial production for many years past, there have been notable increases in industries which were hitherto not of first importance, and certain new industries have developed; so that as well as increasing in quantity the products of Japanese industry have become more various in kind. An examination of production indices for the latter part of 1934 shows that whereas the former staple, raw silk, has fallen from 100 in 1930 to 83, cotton yarn has risen from 100 to 147, woollen yarn from 100 to 180. But the chemical industries, especially if in these we include the production of rayon yarn, show an even more notable advance, viz. :—

				1930.	end of 1934.
Rayon yarn	...	...	...	100	to 410
Caustic soda	...	...	...	100	to 180
Soda ash...	...	...	...	100	to 169
Amm. sulphate	...	...	...	100	to 353
Bleaching powder	...	...	...	100	to 187

There were important increases also in paper (100 to 123), cement (100 to 136), beer (100 to 145), pig iron (100 to 141) and steel products (100 to 162).

Of new or immature manufactures whose development is contributing to a change in the constitution of Japanese industry, the most interesting are the manufacture of

Aluminium goods.
Magnesium.
Photographic film.
Staple fibres.
Cellophane.
Yeast.
Carbon Black.
Motor Vehicles.
Piston rings.
Precision machinery and instruments (such as scientific and industrial measuring and recording instruments, clocks, watches, optical instruments, cameras, light machine tools, gauges, etc. etc.).
Internal Combustion Engines.

Not all of these have shown equal progress, but there is good reason to believe that in the near future Japan, having advanced in the manufacture of chemicals and of precision machinery, will seek further outlets for those products in foreign markets.

Further demonstration of the increased variety of production in Japan can be found in the export returns, which show each year not only a greater number of miscellaneous items, but a greater proportion of those items to total exports.

As to the quality of production in Japan, it is impossible to generalize; but it may safely be said that where quality is more important than price Japanese manufacturers are able to compete with foreign manufacturers in a widening range. It would not, except in special circumstances, be wise for those who have to meet Japanese competition to count too much or too long on the present superiority of their own products, as if it were something not to be reached or approached.

PRODUCTION COSTS.

In the hope of throwing light upon the fundamental character of Japanese competition in foreign trade, many attempts have been made to arrive at a comparison of unit costs of production as between the industries of Japan and those of other countries. Such attempts are almost sure to fail, because the heterogeneous structure of industry in Japan, to which attention has been called above, makes it practically impossible to establish a norm applicable to all types of producing establishments, which in a given field of production differ so widely in size, in methods, and in conditions of work and payment.

It would, moreover, in any case be outside the scope of this report to endeavour to deal with this difficult question in detail.

But it may be of interest to reproduce here some data bearing upon two of its leading aspects, namely

(1) The indirect labour costs borne by employers in Japan in respect of welfare work, food and lodging, bonuses, etc., etc.

(2) The proportion of small producers in certain export industries.

These data are in each case extracted from official publications in Japanese.

(1) **Indirect labour costs.**—An official investigation of 2,267 factories, employing 100 workers or more, covering the 12 months ended July 1932, showed that the following expenditure was incurred by employers in addition to wages :—

<i>Nature of payment, service, facility, etc.</i>	<i>Cost to employers in one year Yen</i>
A. 1. Food allowance	9,776,967
2. Living-out allowance	34,331
3. Provision of houses	500,000 (estimate)
Rent allowance	402,605
4. Clothing allowances... ..	14,439
5. Cost of supplies	—
6. Family allowances	94,154
7. Nurseries, crèches, etc.	60,210
8. Long Service bonus	262,660
9. Good service bonus	463,975
10. Holiday grants	58,096
11. Retirement and discharge allowances	9,838,627
B. 1. Organized instruction	443,828
2. Special courses for girls	173,344
3. Lectures and societies	275,908
4. Libraries, etc.	95,479
C. 1. Theatres, cinemas, excursions, etc.	3,941,807
2. Athletics	320,129
3. Gardens	56,786
4. Medical attendance	— (unknown)
5. Baths	880,670
D. Aid and Relief	740,906
	Yen 28,434,921

The total number of workers in these 2,267 factories was 794,194, and therefore the average cost *per caput* to the employers of all the contributions and services specified above is approximately 36 yen *per annum*. This, of course, is an average over all important industries. In such industries as cotton spinning the cost would be greater not only in proportion to the basic wage, but also absolutely, since the majority of the workers are girls and they are housed in dormitories at the employers' expense.

If we take 1.72 yen, the combined average daily wage given in Ministry of Commerce statistics for 1934, as a basis, and assume 310 working days *per annum*, we have an annual average wage income per worker of 533.20 yen; so that an annual contribution of 36 yen represents an average addition to wages of about 6½ per cent. in the field under review. This percentage of course decreases if a higher figure is taken for the average daily wage.

The percentage is of course only approximate, and it does not take into account the cost to employers of interest on capital expenditure (e.g. the cost of building dormitories) or the expense of lighting, heating and otherwise maintaining dormitories. But it may be regarded as a useful index of the order of magnitude of indirect labour costs. It would appear that, although many employers undoubtedly spend large sums on welfare work etc., the additional charge upon industry as a whole which these payments impose is not so great as is sometimes supposed. The Japan Industries Club issued in 1932 a pamphlet containing some carefully collected and analysed statistics of the cost of welfare work in 218 concerns, engaged in manufacture, transport, retail trade, etc. They reached the conclusion that, of total payments to workers,

Wages	=79 per cent.
"Welfare"	=18 "
Relief	= 3 "

Since payments under the heading "Relief" are those which are obligatory under factory Acts, etc., the total voluntary contribution by employers here amounts to nearly 23 per cent. addition to wages. This doubtless is a fair picture of the situation in the higher grade of industrial and commercial establishment; but it cannot, of course, be taken as representing the situation in industry as a whole.

In view of the fact that the proportion of welfare expenditure, allowances, etc. tends to diminish as the size of the establishments under review becomes less, and that a considerable share of industrial output is produced by small establishments and "family" workshops, it would probably not be far out to put the average of the indirect labour costs specified above as equal to an addition to money wages in Japanese manufacturing industry *as a whole* of about five per cent.

(2) **The proportion of small producers in manufacturing industry.**—Comprehensive statistics on this subject are obviously hard to come by, since small producers are by definition those who are excluded from the official factory returns. But interesting particulars in regard to certain industries are to be found in recent statistics issued by the Ministry of Commerce and Industry, and some of these are reproduced below, as throwing light on the scale and cost of production.

Interesting items in each case are the proportions of total expenditure accounted for by wages and taxation.

A. *Establishments engaged entirely or partly in the weaving of fabrics of Wool and Woollen mixtures.*

The following are extracts from the results of an enquiry undertaken by the Ministry of Commerce in respect of these establishments for the year 1932. The enquiry covered the whole of Japan, and may be regarded as comprehensive, except that a number of

the smallest establishments and of household producers were probably omitted from the enquiry or failed to supply satisfactory returns.

The manufactures comprise chiefly mousseline de laine, serge, woollen suitings, and flannel.

I. *Number of establishments and workers.*

(a) *Classification by number of employees.*

	Type of establishment.	No. of establishments.	No. of employees.	No. of looms.
1.	Households, i.e., establishments where only members of a family are at work, in their own home	56	179	176
2.	Establishments of less than 3 persons	2	4	8
3.	" 3 to 4 persons	59	222	269
4.	" 5 to 6 "	106	582	636
5.	" 7 to 9 "	173	1,417	1,461
6.	" 10 to 14 "	172	1,985	1,970
7.	" 15 to 29 "	186	3,765	3,444
8.	" 30 to 49 "	72	2,519	1,947
9.	" 50 to 99 "	46	3,294	2,183
10.	" 100 or more	41	41,601	12,825
Total in the industry		913	55,568	24,919

Of these establishments, there were :—

- (1) Engaged only in this manufacture, 509 employing 12,522 persons.
- (2) Engaged principally in this manufacture, 213 employing 35,639 persons.
- (3) Engaged secondarily in this manufacture, 191 employing 7,407 persons.

- (b) Of the total of 55,568 persons employed :—
- 2,250 were managerial and clerical staff.
 - 50,477 were operatives in workshops and factories.
 - 1,586 were home workers.
 - 1,255 were workers of other types.

Of the 50,477 operatives :—

- 39,669 were females.
- 10,808 were males.

II. *Business results.*

	Yen.	Per cent.	Yen.
A. Income { From sales, work on subcontract, and other payments			193,744,429
B. Expenditure—			
Cost of materials consumed	113,866,926	65.9	
Fuel and power	5,254,702	3.0	
Salaries and wages	20,137,917	11.7	
Rates and taxes	9,544,967	5.5	
Maintenance and depreciation	6,911,486	4.0	
Interest	2,662,902	1.5	
Work given out	5,820,368	3.4	
Other	8,668,173	5.0	
			172,876,441
Net Profit			Yen 20,867,988

= 25.4 per cent. on paid up capital.

It will be seen that salaries and wages for 55,568 persons amount to 20,137,917 yen in a year, or an average of about 360 yen per person per annum, which is slightly over 1 yen per working day.

III.—Hours and conditions.

No particulars are furnished in the returns under examination, but it will be observed that, out of 913 establishments, 396 were establishments employing less than 10 persons and therefore not coming within the purview of the Factory Acts.

B. *Manufacture of boots and shoes of rubber or of canvas with rubber soles. (All producers in Japan, 1932. Statistics of Ministry of Commerce, dated March, 1934.)*

In this industry a certain amount of manufacture is carried on in home workshops; and, in addition to this, work is sometimes farmed out to households (usually near the larger works) who perform one or two simple operations.

The following figures give some idea of the proportion of home workers and small scale establishments :—

1. *Number of establishments and workers.*

(a) *Classification by number of employees.*

<i>Type of establishment.</i>	<i>Number of establishments.</i>	<i>Number of workers.</i>
1. Home workshops	43	93
2. Workshops employing less than 3 persons	3	6
3. Workshops employing 3 to 4 persons ...	11	37
4. " " 5 to 6 " ...	19	104
5. " " 7 to 9 " ...	20	163
6. " " 10 to 14 " ...	21	241
7. " " 15 to 29 " ...	57	1,256
8. " " 30 to 49 " ...	52	2,096
9. " " 50 to 99 " ...	62	4,204
10. " " 100 or more persons	45	21,574
Total in the industry	333	29,774

Of the 333 establishments carrying on the manufacture of rubber shoes, etc.,

197 were engaged in this manufacture only.

72 were engaged in this manufacture as a principal business.

64 were engaged in this manufacture as a subsidiary business.

(b) *Of the total of 29,774 persons employed—*

1,384 were managerial and clerical staff.

27,761 were factory workers.

322 were home workers.

307 were workers of other types.

Of the 29,774 persons employed :—

19,193 were females.

10,581 were males.

2. Business results (1932).

	Yen	Per cent.	Yen
A. Income			59,720,149
B. Expenditure :—			
Cost of materials	33,456,996	60.0	
Fuel and power	2,067,496	3.7	
Salaries and wages	10,337,574	18.6	
Rates and taxes	443,344	0.8	
Maintenance and depreciation	1,355,198	2.4	
Interest	693,329	1.2	
Work given out	307,659	0.6	
(i.e., subcontracted to other firms or to home workers)			
Other expenses	7,082,846	12.7	
			<u>55,744,442</u>
	Net profit	... ..	<u>3,975,707</u>

=16.4 per cent. on nominal capital.
 17.4 per cent. on total invested capital.
 23.4 per cent. on paid up capital.

It will be observed that the total wage and salary bill for 29,774 employees of all grades is 10,337,574 yen, or an average of about 375 yen per annum or less than 1.10 yen per working day.

*C. Manufacture of Pottery in the prefectures of Aichi, Gifu and Miye.**

Figures for the year 1st November, 1931, to 31st October, 1932, published by the Ministry of Commerce in July, 1933.

The pottery industry is predominantly one of small scale establishments. Thus, 96.1 per cent. of the establishments in the present return, responsible for 50.3 per cent. of the total production, have a capital of less than 30,000 yen. 95.5 per cent. of the establishments, producing 42.7 per cent. of the total product, employ less than 30 persons. The percentage of net profit on total invested capital of all establishments returned was 8 per cent.; on those of less than 30,000 yen capital it was 18.9 per cent.

A comparison between privately owned establishments and company owned establishments is also of interest :—

	Number of establishments.	Persons employed.	Invested capital. Yen	Value of products. Yen	Percentage net profit on invested capital. Per cent.	Debt Yen
Private ...	2,185	19,238	12,249,757	18,380,120	10.8	1,801,147
Companies	57	7,441	9,227,182	11,247,521	4.3	1,044,189

* Statistics of the Mitsubishi Economic Research Bureau (October, 1934) show that the production of pottery in these three prefectures is approximately 70 per cent. of the total production of Japan.

I. Number of establishments and workers.

(a) Classification by number of employees.

	Type of establishment.	Number of establishments.	Number of workers.
1.	Households, i.e., establishments where only members of a family are at work, in their own home	180	425
2.	Establishments of less than 3 persons ...	86	160
3.	" 3 to 4 persons	403	1,443
4.	" 5 to 6 "	475	2,658
5.	" 7 to 9 "	508	4,018
6.	" 10 to 14 "	317	3,599
7.	" 15 to 29 "	173	3,424
8.	" 30 to 49 "	42	1,590
9.	" 50 to 99 "	31	2,070
10.	" 100 or more	27	7,292
	Total in the industry	2,242	26,679

Of these establishments there were :—

- (1) engaged only in this manufacture, 2,183 employing 25,596 persons.
 (2) engaged principally in this manufacture, 55 employing 958 persons.
 (3) engaged secondarily in this manufacture, 4 employing 125 persons.

- (b) Of the total of 26,679 employed ;
 1,089 were managerial and clerical staff.
 17,920 were operatives.
 4,739 were home workers.
 2,931 were workers of other types.

(Division by sex not stated in the official statistics from which these figures are taken. The Mitsubishi Economic Research Bureau statistics indicate that approximately 30 per cent. of workers are female.)

- (c) Number of kilns 3,980
 of which 3,802 in use at end of period.

II. Business Results.

	Yen	Per cent.	Yen
A. Income from sales and all other sources			32,033,516
B. Expenditure :—			
Cost of materials	17,902,898	58·7	
Salaries and wages	8,102,647	26·6	
Maintenance and depreciation	693,338	2·3	
Rates and taxes	234,951	0·8	
Interest	282,138	0·9	
Other	3,253,498	10·7	
			30,469,470
			1,564,046
Products and materials in store at beginning of year...	3,528,474		
Products and materials in store at end of year	3,684,748		
Increase in stock during year			156,274
Net profit			1,720,320
			=7·3 per cent. on nominal capital.
			=8 per cent. on total invested capital.
			=8·7 per cent. on paid up capital.

It will be seen that salaries and wages for 26,679 persons employed amounted to 8,102,647 yen, an average of about 305 yen per person per annum or about 85 sen per working day.

III. Hours and Conditions.

No particulars are furnished in the returns under examination. It will be noted that, out of 2,242 establishments, 1,652 were establishments employing less than 10 persons and therefore not coming within the purview of the Factory Acta.

D.—Manufacture of Electric Bulbs.

(Statistics for 1932. Published by the Ministry of Commerce
in March 1934.)

I. Number of establishments and workers.

(a) Classification by number of employees.

	<i>Type of establishment.</i>	<i>Number of establishments.</i>	<i>Number of employees.</i>
1.	Households, i.e., establishments where only members of a family are at work, in their own home	4	14
2.	Establishments of less than 3 persons ...	—	—
3.	„ 3 to 4 persons ...	5	20
4.	„ 5 to 6 „ ...	21	113
5.	„ 7 to 9 „ ...	33	264
6.	„ 10 to 14 „ ...	62	741
7.	„ 15 to 29 „ ...	91	1,851
8.	„ 30 to 49 „ ...	42	1,648
9.	„ 50 to 90 „ ...	23	1,815
10.	„ 100 or more persons ...	16	5,774
	Total in the industry	297	12,040

Of these establishments there were :—

- (1) Engaged only in this manufacture,
285 employing 7,921 persons.
- (2) Engaged principally in this manufacture,
11 employing 4,098 persons.
- (3) Engaged secondarily in this manufacture,
1 employing 21 persons.

(b) Of the total of 12,040 persons employed :—

- 1,269 were managerial and clerical staff.
- 9,984 were factory and workshop operatives.
- 459 were home workers.
- 328 were workers of other types.

Of the 9,984 operatives :—

- 5,202 were males.
- 4,782 were females.

II. *Business results.*

	<i>Yen.</i>	<i>Per cent.</i>	<i>Yen.</i>
A. Income from sales, work on subcontracts and other payments			50,588,605
B. Expenditure :—			
Cost of materials	18,534,190	46·2	
Fuel and power	2,045,039	5·1	
Salaries and wages	8,912,360	22·2	
Rates and taxes	1,223,587	3·1	
Maintenance and depreciation	3,048,454	7·6	
Interest	535,064	1·3	
Work given out	204,002	0·5	
Other	5,636,478	14·0	
			<u>40,139,174</u>
Net Profit			<u>10,449,431</u>

= 19·9 per cent. on nominal capital.

= 28·4 per cent. on paid up capital.

= 25 per cent. on total invested capital.

(paid up capital plus reserves and surplus carried forward).

It will be seen that salaries and wages for 12,040 persons amount to 8,912,360 yen in a year, or an average of about 740 yen per person per annum, or about 2·10 yen per working day.

III. *Value of products.*

	<i>Yen.</i>
Own production (1932)	48,856,399
Contracted out (1932)	542,320
Produced under subcontract (1932)	339,693
	<u>49,738,412</u>

Details of production (including contracts) :—

	<i>Yen.</i>	<i>Yen.</i>
(a) Finished products		29,332,196
Domestic bulbs—vacuum	12,653,471	
Domestic bulbs—gas filled	13,011,122	
Ornamental bulbs	565,419	
Small bulbs	2,400,626	
Others	701,558	
	<u>29,332,196</u>	
(b) Parts		3,311,271
Bulbs	848,510	
Glass tubes	289,035	
Sockets	691,676	
Filaments	1,209,953	
Leads	140,053	
Others	132,044	
	<u>3,311,271</u>	
(c) Other products		17,094,945
		<u>49,738,412</u>

IV. *Hours and Conditions.*

No particulars are furnished in the returns under examination. It will be observed that, out of 297 establishments, 63 were establishments employing less than 10 persons and therefore not coming under the Factory Acts.

GOVERNMENT ASSISTANCE TO INDUSTRY AND TRADE.

The budget estimates contain a number of items of expenditure directly devoted to the encouragement of industry and trade. An examination of the last two budgets shows the following expenditure which may be regarded as falling within this category :—

	<i>Financial Year.</i>	
	<i>1934-5.</i> <i>Yen.</i>	<i>1933-4.</i> <i>Yen.</i>
<i>Subsidies :—</i>		
Shipping routes	9,995,764	10,400,299
Seamen's relief, lifeboats, etc.	485,100	666,100
Improvement of ships	4,250,000	5,500,000
Aviation... ..	1,819,982	2,179,837
Motor Industry (Army grant)	697,902	795,102
" " (Ministry of Commerce grant)	130,000	130,000
Synthetic indigo	45,182	1,151,725
Steel balls for bearings	75,295	78,905
Photographic industry	400,000	200,000
Encouragement of manufacture of iron and steel	1,435,121	1,689,263
Gold production	255,761	439,361
Oil boring and distillation (Ministry of Commerce grant)	1,668,554	284,000
Oil boring (Navy grant)	590,000	350,000
Raw Cotton and wool Associations	250,000	nil.
Armaments Research (Army, Navy, Air)	6,370,949	2,572,789
Miscellaneous grants for industrial research, organisation, etc.	4,485,459	4,607,834
Total	32,955,069	31,045,215

Details of the item "Miscellaneous grants for Industrial Research, Organisation, etc." are as follows :—

	<i>Financial Year.</i>	
	<i>1934-5.</i> <i>Yen.</i>	<i>1933-4.</i> <i>Yen.</i>
<i>Object of grant :—</i>		
Pottery research	51,286	51,286
Silk research	141,564	142,514
Fuel research	111,458	111,458
Trade and Industrial Associations	310,000	350,000
Industrial Art	227,429	244,944
Physical and Chemical Research	250,000	250,000
Encouragement of inventions	103,498	92,590
Guidance and control of small-scale industries	95,330	95,330

<i>Object of grant—continued.</i>	<i>Financial Year.</i>	
	<i>1934-5.</i>	<i>1933-4.</i>
	<i>Yen.</i>	<i>Yen.</i>
Home products aid	34,414	41,760
Electrical Research	364,605	690,639
General Industrial Research	1,210,580	1,148,201
Encouragement of trade (Exhibitions, etc.)	568,195	585,512
Encouragement of trade (General) ...	140,600	163,600
Contribution to expenses of inspection of export goods	106,248	106,248
Contribution to expenses of co- operative export	100,000	150,000
Central wholesale markets	237,500	nil.
Compensation for loss on exports under Export Indemnity Law	640,000	640,000

There are items in the expenditure of the Ministries of Agriculture and Fisheries, the Interior, Communications, etc., which might be regarded as indirect subventions to industry and trade; but it would be extremely difficult to distinguish them from normal expenditure on public works, social services, or the development of national resources. Therefore no attempt is made here to consider such items, and for comparative purpose the amounts set forth above may be looked upon as showing the dimensions of direct subsidies to industry and trade from the exchequer.

Certain exemptions from taxation are enjoyed for limited periods by a small number of industries which the Government desires to assist in early stages of development. The value of these exemptions cannot be stated.

In addition to subsidies by the Central Government, small amounts are from time to time disbursed by rural and urban prefectures for the promotion of manufactures and trade.

THE MAJOR INDUSTRIES.

This section is devoted to a brief statement of the leading facts regarding the most important productive industries of Japan. It treats in the first place of agriculture and fisheries, because, despite the growth of manufacturing industry, they are still at the basis of the national economy.

Agriculture.—The chief agricultural products, and the amounts produced, are as follows:—

	<i>1924.</i>	<i>1933.</i>	
Rice	103·1	127·8	million hectolitres.
Barley and wheat	34·4	36·5	" "
Other food crops—			
Soya bean	6·1	4·3	" "
Small beans	1·6	1·0	" "
Millet	4·4	3·0	" "
Maize	1·1	0·7	" "
Buckwheat... ..	1·8	1·3	" metric tons.
Potatoes	4·7	4·5	" "
Tea	35·7	43·5	" kilogrammes.
Tobacco leaf	64,024	66,540	metric tons
Silk, raw	28·4	42·1	million kilogrammes.
" waste	4·9	7·5	" "

It will be observed that rice is by far the most important cereal, and indeed the most important farm product in Japan, as is clear from the following figures :—

Value of agricultural products (Japan Proper).

	1924. Million yen.	1933. Million yen.
Rice	2,214	1,433
Cocoons	551	500
Cereals other than rice... ..	303	240
Roots and tubers	275	168
Sugar, fibres, oil seeds, etc.	108	75
Vegetables	110	85
Leguminous plants	100	57
Fruits	76	64
Tea	35	18

These figures are misleading for purposes of comparison of quantities between 1924 and 1933, owing to price fluctuations, etc.; but they are sufficient to show the preponderance of rice and silk culture in the agricultural economy of Japan. During the decade under review although there has been an increase in the wheat crop there has been a decline in the total area under wheat and barley, made good by an increase in the area under rice. Rice remains the staple crop and the staple foodstuff.

Livestock plays a minor part in farming, but one of slowly increasing importance. Thus :—

	1924 (end)	1933 (beginning)
Horses	1,568,685	1,541,086
Cattle	1,456,243	1,529,309
Swine	743,283	926,010
Sheep	15,710	26,918
Goats	157,852	228,988
Fowls	37,089,646	54,306,119

Dairy farming is gradually improving, the output of dairy products having increased from 11 to 17 million kilogrammes in the decade, while in the same period the quantity of meat produced rose from 84 to 118 million kilogrammes. These are small figures, and, though they indicate a certain increase in the consumption of meat and milk products (which is borne out by import returns), the slight change of diet which this increase represents shows, if population increase is taken into account, that the problem of the supply of rice is more important than ever.

It is a common error to suppose that Japan is to a considerable extent dependent upon foreign food supplies. This is only true if supplies of rice from Korea and Formosa are treated as foreign.

The actual position is as follows :—

Average annual consumption of rice in Japan Proper (1928-32)=69·62 million koku.

<i>Supplied by rice produced in</i>	<i>Million koku (koku=5 bushels).</i>	<i>Percentage of total.</i>
Japan Proper ...	59·27	85·1
Korea	6·48	9·3
Formosa	2·57	3·7
Foreign countries ...	1·28	1·8
	69·62	100

The rice imported from foreign countries is used chiefly for industrial purposes, so that it may be said that the population of Japan can be fully supplied with rice from Japanese territory.

But though there is no immediate fear of a shortage of rice (or for that matter of other food supplies—since Japan is at present a net exporter of foodstuffs) for the rapidly growing population of Japan, the competition of colonial rice has combined with other factors to make the position of the cultivator in Japan an extremely difficult one. These other factors are too numerous and complicated for full description here; but in general terms they may be explained by stating that many rice-growing regions in Japan, being poor in soil and climate, cannot support the farming population which attempts to live on them; that even in more favoured regions the terms of tenancy and sale and the incidence of taxation are such that, whatever the price of rice, many cultivators are bound to suffer; and that the decline in receipts from America for raw silk has deprived great numbers of all or part of the subsidiary income which they obtained from raising cocoons and other operations in the production of silk.

Agrarian distress has consequently been serious in many parts of Japan for some years past. It has perhaps been exaggerated in some respects, and it may be true that, as some authorities argue, it is due to lack of enterprise and “self-help” in certain farming communities; though indeed most foreign observers are impressed by the patience and courage of the Japanese peasant in adversity. But, whatever its causes, widespread distress exists, and affords a striking contrast to the relative prosperity of the industrial community. In 1934 the value of the cocoon crop was only 198 million yen, as against 500 million the year before. The rice crop was the worst since 1913, being estimated at 51 million koku as against over 71 million koku in 1933. Palliative measures were taken by the Government at an extraordinary session of the Diet in 1934, including the vote of a relief fund of 216 million yen to be spread over three years, tax remissions in the worst-affected districts, and the maintenance by Government of minimum and maximum rice prices.

However, to quote the words of a leading economic review written in December, 1934, "no fundamental adjustment of the difficult agricultural situation will be possible which does not take into consideration the great burden of rural indebtedness and the comparatively heavy taxation levied upon agriculture, the latter a legacy of the pre-industrial era, when agriculture provided the mainstay of the financial system". Looked at in another way the agrarian problem in Japan is an expression of the difficulty confronting all States which endeavour to reconcile an old agricultural and a new industrial economy.

Fisheries.—The total number of persons engaged in fisheries in Japan was in 1932 1,499,000, of whom 717,000 were so engaged as a subsidiary employment.

The total number of fishing vessels at the end of 1932 was—

Without engines	315,217
With engines	45,469
Total	<u>360,686</u>

Of the vessels with engines, 30,000 were vessels under 5 tons, fitted with internal combustion engines.

The total quantity and value of coastal fishery products in 1932 was :—

	<i>Million kilograms.</i>	<i>Million yen</i>
Fresh fish	1,886	108
Shell fish	125	7
Crustaceans and molluscs	179	22
Seaweeds	476	8
	<u>2,666</u>	<u>145</u>

The total quantity and value of the products of pelagic fisheries in 1932 was :—

	<i>Million kilograms</i>	<i>Million yen</i>
In home waters... ..	627	54·0
In Korean waters	66	3·1
In Formosan waters	1	0·1
In Kwantung waters	4	0·5
Trawling... ..	56	5·6
Whaling (1,124 caught)		0·8
Floating crab canneries (10·3 million crabs caught)... ..		5·4
		<u>69·5</u>

These figures do not include the important fisheries in Northern waters, leased from the U.S.S.R. Leading particulars of these are as follows for 1932 :—

Fish caught, 768 million kilograms of salmon, trout and herring for guano, 3·1 million crabs

Fishery products prepared :—

1. Salt cured salmon and trout, value 31·9 million yen.
2. Canned salmon, trout and crab, 1,216,931 cases each containing 22·3 kilograms of foodstuffs, value 21·5 million yen.

The total value of fishery products, based on the above statistics, would therefore appear to be about 270 million yen. It may be of interest to recall here that the 1932 value of the rice crop was about 1,200 million yen, of the cocoon crop about 300 million, and of the crop of wheat, barley and oats about 150 million yen. The importance of Japan's fisheries in the national economy will thus be apparent. With the produce of her agriculture and fisheries, supplemented by rice from Korea and Formosa, Japan is at present self-supplying in regard to staple foodstuffs.

Marine products, besides being the most important article of diet next to rice and vegetables, are now exported to a considerable value each year. The exports of salmon, crab, etc., direct from Russian waters do not appear in the official returns; but salted, dried, bottled and tinned fish were exported from Japan in 1934 as follows :—

	<i>Yen</i>
Dried fish	5,637,198
„ shell fish	2,583,579
Tinned crabs	15,420,564
„ salmon and trout... ..	18,860,901
„ tuna, sardines, etc.	8,100,000
Bottled fish	130,000

Mining.—The mining industry in Japan Proper gives employment to approximately 356,000 workers. With the growth of the industry the number of workers has tended to decrease, as the result of the greater use of machinery, the employment of fewer female workers, and rationalization in the industry generally.

Products of the mines in 1933 included the following :—

Coal... ..	32,523,746	metric tons
Iron ore	320,670	„
Iron pyrites	903,129	„
Chrome iron ore	19,897	„
Manganese ore	43,535	„
Graphite	869	„
Sulphur and Sulphur Ore	117,126	„
Antimony ore	134	„
Scheelite ore	29	„
Gold and Sand Gold	13,728,590	grammes
Silver	185,610,259	„
Copper	69,032,756	kilogrammes
Lead	6,824,687	„
Zinc... ..	30,657,632	„
Tin and Sand Tin... ..	965,220	„
Bismuth	57,100	„
Mercury	8,077	„

There has been considerable increase in production since 1932, as the result of the expansion of industry generally, and of the munitions industries in particular. The following figures of production in 1932 are given for comparison :—

Coal...	...	...	...	28,053,375	metric tons
Iron ore	...	...	...	226,722	"
Iron pyrites	...	...	...	726,073	"
Chrome iron ore	...	...	...	12,492	"
Manganese ore	...	...	...	26,242	"
Graphite	...	...	...	495	"
Sulphur	...	...	...	84,530	"
Antimony ore	...	...	...	67	"
Copper	...	...	...	71,876,557	kilogrammes
Lead	...	...	...	6,414,643	"
Zinc...	...	...	...	27,043,432	"
Tin ...	...	...	...	1,002,280	"
Bismuth	...	...	...	47,646	"
Mercury	...	...	...	2,384	"
Gold	...	...	...	12,469,285	grammes
Silver	...	...	...	163,625,358	"

Production in 1934, so far as can be judged from incomplete statistics, will not have been below that of 1933. The production of gold in particular has been greatly stimulated by the Gold Purchase Law, and 12,162,110 grammes of gold had already been produced in the period January to October, 1934.

The production of ores and metals in Japan Proper is supplemented by important contributions from Korea, where the mines, in 1933, produced the following :—

Coal...	...	...	...	565,517	metric tons
Anthracite	...	...	...	741,217	"
Iron ore	...	...	...	258,267	"
Zinc ore	...	...	...	3,192	"
Graphite	...	...	...	22,677	"
Gold and Silver ore and concentrates	...	...	...	21,683	"
Copper ore	...	...	...	5,914	"
Copper	...	...	...	784,825	kilogrammes
Lead	...	...	...	783,532	"
Tungsten ore	...	...	...	152,500	"
Molybdenum ore	...	...	...	105,191	"
Antimony ore	...	...	...	21,050	"
Mica	...	...	...	23,094	"
Gold	...	...	...	11,508,165	grammes
Silver	...	...	...	21,864,573	"

The above quantities also are greater than the amounts produced in 1932.

The mining industry in Japan and in the Japanese colonies does not, however, produce all that is required for the country's industrial needs. Little of the coal produced is suitable for coking purposes, so that much of it is exported and coking coal imported in its place. The production of iron ore, lead, zinc, tin, and mercury, is insufficient and has to be supplemented by imports. There is no production of nickel, though there are deposits of the ore in Korea, and there are no bauxite deposits.

The Electric Power Industry.—This industry probably shows the most remarkable expansion of any in Japan. The maximum capacity of supply for power and traction (exclusive of power generated and consumed by private enterprises for their own purposes) has increased as follows in 10 years:—

<i>End of</i>				<i>K.W.</i>
1922	...	...	...	950,000
1932	...	...	...	3,078,000

The capital invested in the industry is now of the order of 3,500 million yen (paid up).

Owing to its physiographical formation, with a central mountain massif and a short fall to the sea, Japan is well suited to the generation of electricity by water power, and it was in that direction that the greatest development of the industry took place until recently. But as the use of water power developed and approached the potential available, and as manufacturing industry and transportation came to depend increasingly upon electric power, the need for auxiliary and emergency plants was felt, particularly since the mountainous regions are distant from some of the leading industrial centres; so that among the plants under construction in 1933 and 1934 thermal generating stations predominate. Thus the most important plant under construction in those two years is the Kwansai Kyodo Karyoku (Thermal Power) Company's station of two 53,000 K.W. steam turbine sets.

The electric supply industry, though it has shown remarkable progress, has not been without its vicissitudes. During and just after the financial crisis of 1927 the supply companies, which had been financing their development by domestic and foreign borrowing on a large scale, found themselves owing to the prevailing depression with surplus capacity to meet stationary, or in some cases decreasing, demand. The deflation policy of the Government in 1930 and 1931 increased their difficulties, since industry as a whole was obliged to retrench and rationalize; and the industrial recovery which commenced in 1932 did not at first benefit the electric supply companies, because the accompanying decline of the *yen* exchange almost doubled the burden of their foreign debt. There was fierce competition among the leading companies, and creditors began to get alarmed. The Government then intervened, and in 1932 an Act was passed which provided for a considerable degree of Government supervision of the management of the industry, and gave to the State certain powers of control and veto in respect of rate-fixing and plans for the extension of equipment, while authorizing compulsory purchase if deemed advisable.

By 1933 however, consumption having increased with growing industrial activity, the position of the supply companies had much improved. The leading companies, partly under pressure from their creditors, after protracted discussion had formed a cartel in 1932 and some of the abuses of duplication and competition were

thus removed. But, although pending disputes were settled, the years 1933 and 1934 have not been free from controversy, and expert observers doubt whether voluntary cartelization will be sufficient to solve the problems of supply and distribution of electric power in the national interest. It is therefore thought that some further measure of Government control will ultimately be introduced, but it is early yet to say what form it will take.

The total capacity of power generating plants at the beginning of 1934 was stated to be :—

				K.W.
Water power	...	...	...	3,105,930
Thermal	...	...	...	1,827,131
Total	...	...	...	<u>4,933,061</u>

of which the supply companies' share was 4,275,199 K.W.

Japan is said to be one of the leading countries in respect of the distribution of the use of electricity, it being estimated that it is utilized by 80 per cent. of the population. This wide distribution is due only to lighting, and is accounted for chiefly by the fixed-rate system, based on the number of points and not on consumption. The consumption per head of the population is relatively low—155 kilowatt hours *per annum*. The use of electric power in industry is, however, rapidly increasing, especially in the chemical industry, and in the manufacture of rayon. A considerable expansion of supply is therefore to be anticipated.

Textiles.*—Raw Silk.—The production of raw silk was until lately Japan's most important export industry. The value of raw silk, waste silk and spun silk exported from Japan in the last decade has been :—

				Million Yen		Percentage of value of total exports.
1925	...	...	...	912.5	=	40
1926	...	...	...	751.6	=	37
1927	...	...	...	754.7	=	38
1928	...	...	...	745.2	=	38
1929	...	...	...	794.8	=	37
1930	...	...	...	423.8	=	29
1931	...	...	...	358.2	=	31
1932	...	...	...	386.6	=	27
1933	...	...	...	394.2	=	21
1934	...	...	...	293.6	=	13½

These figures show that the position of raw silk has steadily declined, in respect both of absolute value and of share in the total export trade, and that the decline became marked from the year 1929, as the purchasing power of the U.S.A. market diminished. It

* The importance of the textile industry is such that it has been thought desirable to furnish a somewhat detailed account of its recent developments. The following sections dealing with textiles (except that dealing with silk) have been contributed by Mr. Oswald White, C.M.G., H.M. Consul-General at Osaka.

will be seen, by reference to the section dealing with foreign trade, that this loss has been made good by an increase in other exports, so that, regarded solely from the point of view of external trade relations, the change is not unfavourable, since it has reduced Japan's dependence upon the sale of a single preponderant commodity. But from the point of view of the agricultural community the new development has been little short of disastrous. Nor are future prospects bright. The total amounts exported in the last 5 silk seasons have declined as follows :—

<i>Thousand bales.</i>			
1929-30	...	...	346
1930-31	...	...	345
1931-32	...	...	338
1932-33	...	...	323
1933-34	...	...	273

and at the same time the prices received by the exporters, the reelers, and the cocoon raisers, have fallen.

The Government have in recent years disbursed large sums on projects designed to stabilize silk prices, but without success : and there is now before the Diet legislation aiming at Government control of the whole raw silk industry, from production to export. These measures have aroused such strong opposition from almost all reelers and exporters that it is likely that they will not be adopted without considerable modification.

The causes of the decline of the raw silk industry are various. First, no doubt, is the economic situation in the principal consuming country, the U.S.A. But the development of the rayon industry has at least accelerated, if it has not in part produced, the collapse of the raw silk industry.

There were signs of a slight recovery in raw silk prices at the end of 1934, but few observers are optimistic enough to hope that silk will regain its position as leading export textile at least for some years to come ; and even should the demand for silk improve, Japan may have to meet the competition of other suppliers, such as the U.S.S.R. Consequently there seems to be little prospect of rescuing the silk raisers in Japan from the distress into which they have fallen, and all these circumstances will probably combine to reinforce the present tendency of rural workers to seek urban employment.

Silk Tissues.—There can be no doubt that the demand for silk tissues whether for consumption in Japan or for export has been affected by the competition of other textiles—particularly rayon and also probably woollens. It is impossible to say whether this is a transient condition, especially in the domestic market, for although the use of "foreign" dress in Japan has spread and has thus increased the need for fabrics other than silk, it has not displaced

Japanese costume for women who can afford both types of garment and it has increased the use in Japan of certain silk articles, such as underwear, stockings, etc., while the variety of mixtures including silk appears to have grown. A growth of purchasing power might therefore bring a revival of demand for silk textiles in the domestic market.

In foreign markets, however, the demand for Japanese silk tissues seems to have been affected by rayon, if one may judge from the following export figures :—

Exports from Japan.				
		<i>Natural Silk Tissues.</i>	<i>Artificial Silk Tissues.</i>	<i>Total, natural and artificial Silk Tissues.</i>
		<i>Million Yen.</i>	<i>Million Yen.</i>	<i>Million Yen.</i>
1930	...	70 (estimate)	30 (estimate)	100
1931	...	43	40	83
1932	...	50	60	110
1933	...	63	77	140
1934	...	77	113	190

These figures indicate that natural silk tissues have only with difficulty maintained their position.

Bast fibres.—The mechanical spinning and weaving of bast fibres in Japan is as old as that of cotton and wool. The industry has, however, had a chequered career. It has had its periods of prosperity in the past but they have been due to the wars in which Japan has been engaged and, as soon as the special war orders have ceased, the industry has relapsed into a state of chronic overproduction. Since 1931 the industry has been favoured with plentiful special orders and in addition the ordinary domestic demand has at last shown signs of growing. It will take a year or two for the improvements in machinery and technique to take effect and for new schemes to come into working and then the question of a possible export trade will come to the front.

During the Great War a temporary export trade sprang up but it did not survive the resumption of normal trading conditions. But the industry will now be equipped with modern machinery and may prove itself capable of competing with older manufacturing nations. All the flax required for the Japanese linen industry is being produced in Hokkaido. If plans for growing flax, and spinning and weaving it, in Manchuria bear fruit, there will be a surplus for export and an endeavour will undoubtedly be made to build up an export trade in linen. Hessians, gunny bags and fishing net twines are also articles which are beginning to command attention.

Cotton, Wool and Rayon—present production.—Expansion of these three industries has been in full swing for the past three years

and production has increased enormously as will be seen from the following table :—

<i>Average monthly production of</i>	<i>1932</i>	<i>1934 (est.)</i>
Cotton yarn (bales)	234,000	289,000 (315,000)
Rayon (lbs.)	5,365,000	13,000,000 (14,500,000)
Worsted and woollen yarn (lbs.)	7,500,000	9,000,000 (9,000,000)

Note.—Figures in brackets are the estimated present monthly production.

The curious thing is that this striking development has taken place, and is still taking place, in the face of constant fear that it will lead to over-production. The reason why this fear has not acted as an effective deterrent may be considered.

Rayon.—Japanese manufacturers do not want for courage. Take the case of the rayon spinners. They doubled their output in two years, are shortly trebling it, and, if present plans are carried out, output will reach 400 metric tons a day at the end of 1935 or early in 1936. The big profits they have been making have been the underlying cause but competition has been the driving force. A host of new companies has come into existence which threaten to spoil the market. The old established companies have answered the challenge by pushing forward their own extensions before the new companies can get going. Many of the latter will fall out in consequence and leave the field to the former. But the old companies may have to pay the price in over-production. That at least is the fear that is being expressed. What is undoubted is that extensions are not justified by actual consumption but will need an ever growing demand to make them profitable.

Cotton.—Somewhat similar problems face the cotton spinners. The output of yarn reached 300,000 bales in October, 1934, and is expected to increase still further in the immediate future. Estimates of new spindles on order vary from one to two million. And yet there is constant talk of over-production. The cry has been raised at intervals during the past two years and possibly it has lost its terrors. But there must be a limit to the power of markets to absorb the increasing output. The spinners themselves all say so and all are installing new spindles as fast as they can get them from the makers.

To stop the mad race the total abolition of the curtailment of output agreement is being urged but the smaller spinners are opposed as they fear they will be pushed to the wall. It seems that the new mills are vastly more efficient than the early mills which may sooner or later have to be closed. The aim then of the leading spinners is to have sufficient thoroughly up-to-date mills to handle what they would regard as their normal output. They could afford to scrap their old spindles since new equipment has been installed entirely out of profits and not by raising new capital.

This is probably the explanation of the inconsistency of the spinners' attitude in pushing forward extensions in the face of almost certain overproduction. It is also the explanation of their coldness towards proposals for a building holiday. When drastic curtailment of output was in force it was thought that the abolition of the curtailment agreement would check extensions. There is a paper agreement of 18·8 per cent. at present. This is made up by two extra days' holiday in addition to the statutory two days and the sealing of 11·2 per cent. of the spindles. But the operatives have had these two extra days' holiday for so long that it is generally supposed that they could not be taken away now without labour disturbance while the bulk of the sealed spindles are more or less useless in any case. So there is no curtailment worth speaking of and yet extensions continue as fast as ever. Spinners are now beginning to talk of displacing the present two shifts of eight and a half hours by one longer shift.

Wool.—The difficulties of the wool spinners are different. Output had increased as a result of extensions in 1932 and 1933 until a temporary saturation point had been reached in the middle of 1934 and prices were already weakening by the time it had become clear that the new season's wool would be much cheaper than last season's. The spinners then found themselves carrying large stocks of dear wool. Yarn prices have been bolstered up by a curtailment of output but even so the spinners have been operating in recent months at little or no profit.

Exports of woollen textiles have increased rapidly and will probably continue to increase but the bulk of the output is consumed in Japan. The domestic demand is growing steadily but as usually happens the manufacturers have temporarily outstripped it. Since population is growing at a rate of close on a million a year and the popularity of woollen goods is also increasing, it is probable that demand will overtake supply before long if a further jump in output does not take place.

The spinners seem for the moment to have completed their expansion schemes but meanwhile new competitors have come into the field. The three leading cotton spinning and weaving companies have each plans for spinning wool and have mills in course of erection. Their output is likely to depress the market unless the over-supply is relieved by a further advance in exports.

Cotton spinners' interest in the other textile industries.—The restless energy of the cotton spinners is indeed to be seen in all the textile industries. They have long been interested in silk reeling and spinning. More than half the capital invested in rayon comes from them. They are now, as stated, taking up wool and they are at the back of a number of jute and hemp mills. The theory at the back of this multiplication of interests is that the cotton industry is approaching, if it has not already reached, the limits of possible development while the other textile industries all have

promise of future growth. It is not a question of undertaking independent industries. The weaving of mixed yarns—cotton and wool, silk rayon and staple fibre, cotton and flax, etc.—is increasing. Moreover Japan has always in the background a fear of a possible cessation of supplies in case of emergency. But she grows flax in the Hokkaido and is experimenting with ramie and hemp on the main island, she is growing "New Zealand flax" in Kyushiu, she produces jute and ramie in Formosa, and she has been pushing for some years with rather indifferent success the growth of cotton in Korea. It is also hoped that supplies of cotton, wool, rayon pulp, flax and hemp will be available from Manchuria. In so far as any of these schemes bear fruit, she has rendered herself to that extent independent of foreign supplies.

Weavers' problems.—So far we have been considering the problems of the textile industry entirely from the point of view of the spinner. There is justification for this attitude since in practice it is usually the spinners that lead and the weavers that follow. The world has learnt a great deal in recent years of the high state of organization of the Japanese textile industries, in particular cotton. It should be understood that it is only the spinners that are organized. The weavers are very far from organized and therein lies one cause of the disastrous lowering of prices in foreign markets which has aroused so much resentment abroad.

The organization of the spinners is made possible by the fact that they are engaged in mass production. Where the cotton spinners have taken up weaving is precisely in those lines that can be turned out in an unending flow, day in and day out—sheetings, shirtings drills, etc., a branch it should be noted which had the added advantage that it enables the mill to consume its surplus supplies of yarn and so to some extent regulate the supply of sold yarn to the demand from the main consumers. But the consumption of yarn by the spinners only amounts to one-quarter or thereabouts of their total output (though probably it will increase in future). The balance is consumed by small-scale weavers.

Weaving is done in a great number of districts where the production of particular cloths has been a local speciality for centuries. As the spinners have in recent times made available new types of machine-spun yarn, the weavers have turned to the weaving of new types of cloth. Of their skill there can be no question but the weak point of the system is that the weavers are mostly small men. Certain cloths are made by companies operating on an average about 100 looms which produce the greater part of the output of that particular cloth but of all the cloths produced a large proportion comes from weavers operating from 20 to 50 looms. These men have little capital and work to the order of a dealer who assembles the output of a number of weavers and frequently calls himself a manufacturer. If the goods are for export it is the exporter who determines the quality and price. Competition forces down the

quality to the barest minimum requirements of the foreign market and the price to the least return that the weaver can accept and live.

Weavers have their special guilds and the Government now gives them power to control quality and price and examine goods for export. These measures have done good but they are not attended with complete success because in the first place there is an infinite variety of cloths woven and in the second place most of them can be substituted. To give an instance, the weavers of striped twills were organized into an association which insisted that the weaver should put 120 picks to the inch. Exporters are now displacing them with striped gingham of 110 picks and even less.

Much of the chaos which has been caused in foreign markets in the last year or two by the inrush of Japanese goods at ever decreasing prices can be traced ultimately to this lack of organization of the weaving section. The evils of the system are recognized by the Japanese but no effective remedy has yet been devised.

Consumption.—The problems facing the cotton, wool and rayon industries may be reduced to this one—to what extent will markets absorb production which, in the opinion of many Japanese themselves, is being increased too rapidly for safety? The answer will depend, of course, on the home and foreign demand.

(i) *Domestic demand.*—As already pointed out when the problems of the wool spinners were being discussed, Japan's population is increasing at the rate of one million a year. In the long view, therefore, the demand for textiles will grow steadily—but scarcely quickly enough to consume sudden increases in supply. Wool and rayon have, however, another strong point in their favour in that the average consumption is growing, gradually in the case of woollen fabrics owing to an improvement in quality combined with a lowering of prices, and rapidly in the case of rayon.

The immediate demand rests on the purchasing power of the people. There has been a striking recovery from the pre-1931 depression. But conditions are not healthy. It is only the towns and certain favourably situated country districts that are enjoying prosperity and that mainly because thriving exports have brought in money and increased purchasing power, though the activity of munition works is a contributing factor. If the export trade fails to lead the way, the domestic demand might languish once more since the conditions in rural districts where the farmers are suffering from the low price of crops are serious.

The rayon spinners have another shot in the locker. Yarn quotations have come down from one yen per lb. to eighty-five sen. But the spinners are producing at considerably less than this—it is supposed that their all-in costs are in the neighbourhood of fifty-five sen. They could stand a further fall in prices before resorting to curtailment. Cotton and wool spinners have not the same margin, though the former are supposed to have at present hidden reserves in the shape of stocks drastically written down.

On the whole it may be said that the home market can scarcely be expected to consume more than a portion of the increased output of textiles and the industry must be more than ever dependent on the export trade. Will it respond to extra demands upon it? A study of the trade of the last few years may throw some light on the question.

(ii) *Export trade in textiles.* (a) *Cotton piece-goods.*—First we may take the total export :—

				(Million yards).
11 months of 1930	...	...	...	1,444
" "	1932	...	...	1,821
" "	1933	...	...	1,904
" "	1934	...	...	2,330
Gain in 4 years	...	...	...	886

The recovery from the slump of 1930 is striking. Not only was there a big advance in 1932 but it was maintained in 1933 and the pace actually quickened in 1934. The statistics so presented certainly reveal in themselves no cause for pessimism.

When we come to study the trade by countries some surprising changes will be noted :—

				1930.	1934.
				(Million yards).	
Kwantung ...	...	...	...	45	
Manchuria and Kwantung	...	...	...		239
China and Hongkong	...	...	...	508	87
				553	326
Net loss	...	...	...		227
Net gain on all other markets 1,113 million sq. yds.					

In 1932 the bulk of the increase was gained in British India (Ceylon included).

1930	...	...	...	374
1932	...	...	...	592

All but a portion of this gain was lost in 1934 when the figure fell to 411 and Japan had to look to other markets. In the meantime the Dutch East Indies had come forward as Japan's biggest market :—

1930	...	...	...	164
1934	...	...	...	409

The future of this market is, for reasons to be later stated, problematic. The next important market is Egypt :—

1930	...	...	...	97
1934	...	...	...	216

No fears are being felt as to this market being glutted since it is understood that a large proportion of the goods are not for Egypt itself but for Mediterranean ports. Australia and New Zealand also seem to Japan to hold distinct promise :—

1930	...	...	...	14
1934	...	...	...	70

The smaller Asian markets (Straits Settlements, Siam, Philippines) have shown a healthy development :—

1930	...	...	...	88
1934	...	...	...	204

Certain markets have no doubt been disappointing. South Africa jumped in 1931 to 38 only to fall back in 1934 to 14.

Turkey also has proved a disappointment :—

1930	...	...	...	18
1932	...	...	...	35
1934	...	...	...	4

Exchange conditions in Turkey apparently are responsible.

The trade with South America however merits attention. The countries for which separate statistics are available are the Argentine, Chile and Uruguay. For these three countries the total figures are :—

1930	...	...	...	13
1934	...	...	...	93

There is a small export to the United States of America and Hawaii and here unfortunately the record ends. All other countries are lumped together in the Customs returns but the figures are arresting :—

1930	...	...	...	101
1934	...	...	...	570

Markets so widely separated as East and West Africa, Europe, Central America and South America (countries not already mentioned) are included. Between them they are taking at present *one-quarter* of Japan's total exports of cotton piece-goods as against *one-fifteenth* in 1930.

At the risk of repetition, the foregoing remarks may be summarised :—

(1) Yarn production at the end of 1934 reached 320,000 bales for December. Without further curtailment this would mean a total output for 1935 of say 3,750,000 bales. But new spindles are being steadily installed. Unless these extensions are stopped or, failing that, drastic curtailment of output is enforced, the total output for 1935 will reach the stupendous figure of 4,000,000 bales, an increase from 1930 of 60 per cent. and even from 1934 of somewhere about 20 per cent.

(2) Since it seems doubtful if the home market could absorb more than a small portion of the increase, the greater part would have to be exported, mainly in the form of piece-goods.

(3) There are indications that the big markets have been exploited to the full, so the surplus would have to go to the new markets. Some of these, as shown, look very promising to Japan. Whether they are capable of further rapid expansion remains to be seen.

(b) *Rayon piece-goods*.—The expansion in exports of artificial silk tissues followed, roughly speaking, the same outlines as that in export of cotton piece-goods but, starting as it did from a more modest position, the advance of artificial silk tissues has been more

spectacular: from 48 million yen in the ten months of 1932 the trade had grown in the ten months of 1934 to 90 million yen or nearly double. The two biggest markets to 1933 were British India and Netherlands East Indies but tariff restrictions appear to have set a limit for the moment to possible expansion in these markets which in 1934 took 19 and 10 million yen of rayon tissues respectively. The growth of the trade with Australia is remarkable, increasing as it has done, from two million in 1932 to 13 million yen in 1934. It is evident that the net is as wide-flung as in the case of cotton piece-goods since most of the same markets figure in exports and in addition "other countries" account for the large sum of 20 million yen.

(c) *Worsted and Woollen tissues.*—Compared with the flood of exports of cotton and rayon piece-goods, the trade in worsted and woollen tissues is at present a tiny stream. Its importance lies in the fact that it is expanding rapidly. The table on page 63 shows that Japanese woollens are now going in small quantities to most parts of the world.

Attention should be directed to the export of serges. Mousseline has for many years been a leading product of the big spinning and weaving companies and there has always been a fair export to British India. But the weaving of foreign serges by small weavers in the Nagoya district is a comparatively recent growth and the export of 12,000,000 yards in ten months of 1934 though a small part in the world's trade is remarkable, seeing that in the year 1927 the total production of serges in Japan was only about 10,000,000 yards and there was then a considerable import. Production now is probably about three times that figure.

As might be expected, the trade with Kwantung and Manchuria is developing the most rapidly. The greater part of the woollen goods imported there now comes from Japan. The bulk of the trade is said to be in plain-dyed serge (worsted), weighing 16 to 17 ozs., but overcoating (woollen), weighing 24 to 25 ozs., is also exported in fair quantities. But for the poverty of the farmers who form the greater part of the population, the total imported would be far greater since woollen goods are well suited to the climate. The demand is, however, bound to grow though local manufacture may check the rise in imports.

Most of the other trade is with tropical and sub-tropical countries. A great part of the trade with southern Asia is in three qualities. Before these are described, it might be pointed out that most of these cloths are made from a very fine quality of yarn (spun from 60s or better tops) and they would undoubtedly be competing with a high grade of cloth of United Kingdom or other manufacture, were it not for the fact that the Japanese finishers are not as efficient as the weavers. Average prices of the cloths are given. Needless to say these prices vary. They are quoted merely to give a rough idea of the competitive power of Japanese goods. The qualities referred to are (1) serges, weighing 14-15½ ozs., width 56 inches and priced round

about 2.50 yen; (2) gabardines, weighing 9 ozs., width 54 inches, and priced about 1.90 yen; and (3) Palm-beach, weighing 7 ozs., width 54 inches, priced about 1.40 yen for plain, 1.55 yen for stripe and 1.60 yen for checks. Not only the first two cloths but also the third are said to be all-wool. This list does not cover all the qualities being exported to these countries. Other cloths, for instance, are "blazer cloth", a plain dyed serge weighing 17 or 18 ozs., and "dobby cloth" a very light serge of 6 or 7 ozs. With Egypt and the Levant a trade is springing up in all kinds of worsted cloth from serges to Palm-beach and frescoes.

Broadly speaking, the export of Japanese wool manufactures is specialised. Japan has not hitherto made any great advance in the manufacture of *woollens*, owing partly to absence of supplies of waste wool and partly to technical difficulties in weaving and finishing. But great progress has been made in the spinning and weaving of medium quality *worsted*s, cheapness being achieved by (1) mass production of yarns in modern spinning mills, (2) extraordinarily low weaving, dyeing and finishing costs, and (3) standardisation of qualities.

(iii) *Future of export trade*.—The above rapid survey of exports in recent years will have shown Japan's capacity to undersell her competitors in most of the markets in the world. Had she not by so doing raised against herself economic barriers in many of them her prospects of still greater expansion might be considered rosy. But Japan has met with a series of checks of late. Her exports of cotton piece-goods to British India are cut down to 400,000,000 yards. The Netherlands East Indies have also imposed restrictions on cotton piece-goods and certain other classes of goods; these restrictions affect not only Japanese goods but similar goods from other sources. These are Japan's two most important markets. Trade with Manchuria is increasing rapidly but China can hardly become the good customer she once was since China's own cotton industry is developing steadily. Australia is a growing market and the fact that Japan is a big purchaser of merino is regarded in Japan as safeguarding her from further tariff attack. South African trade has languished but it is hoped to stave off drastic control by purchasing more wool. This is difficult because it costs Japan more than Australian wool but tentative efforts are being made to clear this obstacle by spreading the cost among directly and indirectly interested parties. The British Colonies have introduced the quota system. Exports to South America are hindered by exchange control and one of the schemes for wool spinning by cotton companies already referred to involves the use of South American wool as a set-off to exports of cotton piece-goods.

This list is far from covering all the countries to which Japan is exporting her textile manufactures—Egypt and the Near East have for instance been omitted—but it will be seen that her path is beset with difficulties. She has shown remarkable enterprise in overcoming them up to the present but a feeling is growing in Japan

itself that in the near future at all events she can scarcely do much more than retain the position she has gained and a note of pessimism is discernible in recent pronouncements of Japanese manufacturers and merchants.

Woollen textiles exported from Japan Proper in the ten months January to October 1934.

<i>To</i>		<i>Mousseline</i>	<i>Woollen cloth.</i>	<i>Serge.</i>	<i>Other woollen goods.</i>
Manchukuo	sq. yds.	82,785	49,884	507,876	—
	Yen	44,212	66,199	605,968	400,310
Kwantung Leased Territory.	sq. yds.	575,894	182,724	3,625,201	—
	Yen	325,983	241,107	4,088,073	2,189,227
China	sq. yds.	19,619	13,864	1,429,507	—
	Yen	10,397	28,570	1,811,087	563,048
Hongkong	sq. yds.	3,347	1,086	135,196	—
	Yen	1,862	1,931	167,498	60,964
British India	sq. yds.	1,243,252	102,111	3,922,826	—
	Yen	731,017	118,474	4,467,418	2,109,937
Ceylon	sq. yds.	4,586	—	66,654	—
	Yen	2,243	—	80,259	23,239
Straits Settlements ...	sq. yds.	10,917	5,206	247,232	—
	Yen	6,603	6,466	304,508	137,562
Dutch East Indies ...	sq. yds.	306	10,432	202,732	—
	Yen	240	11,688	231,344	810,028
Philippine Islands ...	sq. yds.	2,278	—	49,207	—
	Yen	1,331	—	61,957	39,692
Siam	sq. yds.	2,440	3,774	36,136	—
	Yen	823	4,225	36,173	35,317
Aden	sq. yds.	—	—	14,254	—
	Yen	—	—	15,754	730
Palestine... ..	sq. yds.	—	370	33,663	—
	Yen	—	616	42,947	2,696
Iraq	sq. yds.	18,760	897	14,701	—
	Yen	9,329	1,887	19,593	21,694
United Kingdom ...	sq. yds.	111,890	—	2,993	—
	Yen	49,847	—	3,499	14,545
France	sq. yds.	13,297	—	—	—
	Yen	6,722	—	—	203
Germany... ..	sq. yds.	545,726	—	56	—
	Yen	221,842	—	73	300
Italy	sq. yds.	11,123	—	2,618	—
	Yen	9,652	—	3,285	7,213
Sweden	sq. yds.	90,539	—	2,230	—
	Yen	43,511	—	2,175	—
Norway	sq. yds.	22,129	—	20,175	—
	Yen	11,845	—	24,432	—
Turkey	sq. yds.	2,262	—	—	—
	Yen	1,439	—	—	—
U.S.A.	sq. yds.	2,255	15	2,289	—
	Yen	1,541	22	2,965	314
Cuba	sq. yds.	9,332	1,939	18,703	—
	Yen	4,109	2,612	24,016	9,907
Peru	sq. yds.	54,960	—	24,496	—
	Yen	32,603	—	31,764	4,382
Chile	sq. yds.	4,737	—	2,316	—
	Yen	2,926	—	2,691	5,785
Argentina	sq. yds.	—	3,973	35,385	—
	Yen	—	9,563	44,704	22,496

To		Mousseline.	Woollen cloth.	Serge.	Other woollen goods.
Uruguay	sq. yds.	—	—	11,083	—
	Yen	—	—	16,685	1,595
Colombia	sq. yds.	10,576	838	23,098	—
	Yen	6,426	781	26,859	3,837
British Guiana	sq. yds.	—	—	9,464	—
	Yen	—	—	11,981	1,224
Egypt	sq. yds.	416,729	6,898	1,224,780	—
	Yen	228,440	12,246	1,651,537	287,034
Kenya, Uganda and Tanganyika.	sq. yds.	3,155	2,620	36,420	—
	Yen	1,800	2,858	43,426	7,149
Other East African Territories.	sq. yds.	3,689	—	42,283	—
	Yen	2,087	—	46,419	10,356
French Morocco ...	sq. yds.	24,068	—	27,693	—
	Yen	13,016	—	35,473	35,060
Union of South Africa ...	sq. yds.	1,045	3,450	180,052	—
	Yen	806	5,874	206,698	36,642
Australia... ..	sq. yds.	107,647	—	—	—
	Yen	44,287	—	—	8,337
New Zealand	sq. yds.	3,791	—	—	—
	Yen	1,320	—	—	215
Hawaii	sq. yds.	55,876	—	3,691	—
	Yen	32,374	—	4,603	751
Other countries... ..	sq. yds.	105,375	12,954	204,863	—
	Yen	54,826	21,686	264,410	89,877
Total	sq. yds.	3,564,439	403,035	12,159,873	—
	Yen	1,905,459	536,805	14,380,274	6,941,666

Iron and Steel.—In the last report it was pointed out that:—

(1) a considerable improvement had taken place in the iron and steel trade during 1932, compared with 1931, to the benefit of both importers and Japanese manufacturers;

(2) it remained the policy of Japan to import raw materials and to manufacture finished products; but that

(3) should the demand for steel increase further, importers would for the time being be able to make use of a situation which manufacturers could not meet.

At present, two years later, no fundamental change has taken place in regard to these points. The position at the end of 1934 is that:—

(1) the improvement in the iron and steel trade has been maintained during 1933 and 1934, both for importers and Japanese manufacturers

(2) imports of raw materials, as well as the manufacture in Japan of finished products, are still increasing

(3) Japanese manufacturers have as yet not been able to cope with the still increasing demand for iron and steel products.

Imports.—Import and production statistics given below will illustrate the above statements, although not quite accurately in regard to imports of semi-finished and finished steel products, since purchases made from September onward arrive only the following

year and an important buying movement set in precisely in the latter half of 1932 and of 1934.

	<i>Import Statistics.</i> (Metric tons).			
	1931.	1932.	1933.	1934.
<i>Raw Materials :—</i>				
Iron Ore	1,549,919	1,482,406	1,523,626	2,131,916
Scrap	295,579	599,080	1,012,691	1,412,988
Pig iron	399,448	444,424	640,851	614,398
<i>Semi-Finished Products :—</i>				
Blooms, Billets, etc.	3,521	13,232	39,750	26,530
Sheet Bars	23,719	12,314	65,036	61,393
Total	27,240	25,546	104,786	87,923
<i>Finished Products :—</i>				
Rounds, Square and Flat bars	21,529	15,739	41,614	35,168
Angles, Joints and Shapes	16,749	22,937	38,835	28,731
Rails and Fishplates... ..	6,277	5,832	3,994	6,979
Wire Rods	65,167	27,889	38,792	32,416
Plates under 0.7 m/m.	21,286	13,555	2,736	2,729
Plates under 3.0 m/m.	4,799	3,904	13,954	11,839
Other plates	4,463	4,947	71,921	54,265
Tin Plates	47,749	63,469	79,912	88,081
Galvanised Sheets	1,273	577	842	1,224
Coated Wires	2,594	627	170	117
Other Wires	6,307	1,736	1,287	1,788
Cold Rolled Hoops	5,752	4,422	4,324	7,538
Hot Rolled Hoops	40,038	47,652	83,707	76,600
Wire Ropes	390	251	190	194
Tubes and Pipes	11,955	8,367	9,456	14,788
Sundries	142	171	200	49
Special Steels... ..	1,965	3,395	7,053	7,078
Total	258,435	225,520	398,987	369,584

The following features are revealed by a study of the above table.

During 1934, imports of *iron ore* increased by about 30 per cent. in comparison with the three previous years.

A remarkable fourfold import increase of *scrap steel* in 1934, as compared with 1931.

During the same period the production in Japan of steel ingots only just doubled and it may therefore be assumed that the Japanese steel makers want to make sure of sufficient stock and avail themselves of the present prices of raw materials.

Approximately 64 per cent. of this scrap steel is imported from the U.S.A., according to the January to September statistics for 1934.

Lately this source of supply for manufacturing steel has come to be regarded as more uncertain than iron ore, which is obtained principally from China and the Straits Settlements; and the present tendency in Japan is to increase still further the production of pig iron. Both the Japanese Steel Cartel (Yawata) works and the

Japan Steel Tube Works are erecting blast furnaces and steel furnaces which when completed and functioning will give Japan a considerable increase in production, estimated at 500,000 tons *per annum*. (The new Yawata blast furnace will have a daily capacity of 1,000 tons.)

Imports of *pig iron* should continue on the same level until the above mentioned furnaces are producing.

British India is one of the main sources of supply for this product; but lately the U.S.S.R. sold 40,000 tons to Japan and is contemplating further and more important sales in 1935. Imports into Japan of steel products from the U.S.S.R. are not to be expected.

Imports of *semi-finished products* should be maintained because the Japanese Steel Cartel is endeavouring to supply more semi-finished products to its own finishing mills and has not sufficient production to feed at the same time independent works, whose demand is steadily increasing. When the Showa Steel Works in Manchuria start operations, some change in the above position may occur, because it is foreseen that these works will send 200,000 tons of semi-finished products to Japan. Recently it has been arranged to increase the annual productive capacity of these works from 350,000 tons of steel products to 500,000 tons, a clear indication that Japanese producers desire to play an important part in the supply of steel to Far Eastern markets.

It may here be mentioned in passing that the Bethlehem Steel Corporation of the United States of America lately sold over 10,000 tons of semi-finished products to Japan, whereas up to then this market had been to a great extent in the hands of the European continental makers belonging to the E.I.A. (International Steel Syndicate).

As regards *finished products*, the two items, plates from 0.7 mm. to 3 mm. thickness and above 3 mm. both show a very considerable import increase. This is because the local ship-building industry has become more active and also because the Japanese works must first of all meet the demands of the Imperial Japanese Navy. Plates for ordinary purposes can therefore not be delivered by the home works in sufficient quantities and have to be imported.

New plate mills have been erected and old ones enlarged, while the Iwai Tokuyama works have nearly completed a hot-rolled hoop mill, so that the importers of these two products will face greater difficulties in the future.

Imports of thin sheets from the United Kingdom and the U.S.A. have still further decreased.

Tinplate imports will likewise probably fall in the future, as Yawata is now manufacturing these at the rate of 6,000 tons monthly.*

* An account of the tinplate industry will be found under "Minor or new industries," on page 84.

The import business in special steels has very much improved.

Japanese prices being lower than those of imported steel materials, the import question really still hinges on the question as to how far Japanese consumption will rise. The answer again depends upon many factors, such as the demand in Manchuria, the possibility of greater exports to China, the requirements of naval shipbuilding and the general policy of the Japanese Government in financial matters.

Exports.—No doubt the increasing demand for steel materials in Japan has been very much stimulated by Government purchases, but another factor working in the same direction can be found in the rising exports of Japanese steel materials, which the following statistics reveal :—

Export Table by Countries of Destination.
(Metric tons).

<i>Destination.</i>	1931.	1932.	1933.	1934.
China	26,666	21,404	23,726	41,342
Manchuria	23,688	77,248	181,022	271,276
Hongkong	3,109	258	470	1,756
British India	114	1,898	5,512	7,232
Straits Settlements	257	366	3,107	3,556
U.S.S.R.... ..	2,482	1,707	1,228	1,202
Various	17,514	12,732	15,452	23,937
Total	73,830	115,613	230,517	350,301

Export Table by Products.
(Metric tons).

<i>Products.</i>	1931.	1932.	1933.	1934.
Bars	23,290	20,107	45,129	108,234
Plates and Sheets	16,529	12,888	18,166	32,372
Wire Products	2,836	10,952	22,713	32,899
Wire Ropes	1,151	1,052	1,527	2,377
Pipes and Tubes	18,559	15,053	29,465	49,212
Scrap	9,005	12,486	8,339	17,515
Sundry materials	2,460	43,075	105,178	107,692
Total	73,830	115,613	230,517	350,301

In a space of four years, exports show a fivefold increase and even if Manchuria is taking 77 per cent. of the exports, nevertheless Japanese sales are increasing considerably in China, British India and in the Straits Settlements.

European makers are feeling everywhere in Asia this Japanese competition, but mostly in respect of wire products, where the export rise has been exceptional, from 2,836 tons in 1931, to 32,899 tons in 1934.

The item sundry materials, about 100,000 tons, is composed almost entirely of rails and structural steel, all for Manchuria.

Production.—Production statistics up to October only have been published. In order to compare with previous years, in the following tables the total for 1934 has been approximated at a minimum figure, by trebling the October figures:—

Production Table.
(Metric tons).

	1931.	1932.	1933.	1934.
Pig Iron, Japan and Korea	1,064,905	1,155,234	1,598,026	1,938,757
Pig Iron, Manchuria	343,296	367,088	433,523	465,738
Total	1,408,201	1,522,322	2,031,549	2,404,495
Steel ingots	1,864,130	2,292,044	3,047,416	3,695,311
Billets for sale	54,534	71,689	92,497	87,931
Sheet Bars for sale	107,751	135,578	119,471	139,399
Finished steel products, as follows ...	1,519,919	1,930,898	2,456,169	3,043,007
Plates under 0·7 mm. thickness ...	263,388	285,137	301,522	287,316
Other plates	274,740	310,902	476,812	623,689
Bars	409,215	501,532	638,866	740,814
Shapes	200,692	244,978	333,717	442,607
Rails	110,573	238,270	275,784	366,021
Wire rods	176,358	216,687	281,217	345,878
Pipes and tubes	63,686	97,435	114,323	136,557
Tinplates	—	—	—	62,124
Various	21,267	35,957	33,928	38,001

The increase in production in 1934, compared with 1932, is considerable both for pig iron produced in Japan and Korea and for steel ingots; in percentages these figures are respectively 67·8 per cent. and 61·2 per cent.

As to finished products, the production of plates above 0·7 mm. thickness has doubled and that of bars increased by 47 per cent.

In 1935 a further rise in production of finished steel products should take place.

The condition of the iron and steel industry is of particular interest for several reasons. It shows important progress in heavy industry, hitherto perhaps the weakest point in Japan's industrial economy; it has a bearing upon the future of foreign trade in the Far East; and it exemplifies the problems and difficulties raised by the Government's policy of control of industry.

To take these points in order, it will first of all be apparent from the statistics given above that the iron and steel industry is, if we include production in Korea and add that in Manchuria, in a fair way of becoming a major industry. Its output is still small by comparison with that of other countries; but a graph of the manufacture of finished steel products shows that, whereas production lagged behind consumption till about 1930, it then began to catch up, and by the end of 1934 there was only a small gap, representing a few thousand tons of such finished products as Japan does not yet turn out in sufficient quantity or quality, e.g., certain plates, sheets, rods and special steels.

In a general way it may be stated that Japanese production is at present insufficient in semi-finished products, wire rods, and special steels; hoops are not yet made, but production is expected to commence in the near future.

It will be observed from the statistics that, although there was an import of finished products in 1934 of 355,000 tons, there was in the same period an export of all steel products of nearly the same tonnage—viz. 347,000 tons.

Since the total production capacity in Japan is increasing, and since the present favourable position of imports is due, directly or indirectly, in a large measure to naval and military requirements, the question arises as to what use will be made of surplus capacity if those requirements diminish. Since present production is equal to consumption, then, even allowing for a natural increase in consumption, it would appear that in this event the steel industry will be driven to seek an outlet for its products in foreign markets. Price statistics show a difference of about 20 yen per ton (for round bars, basic sizes) in favour of the Japanese Steel Makers' Association prices compared with import prices. If, through improvement in equipment and efficiency gained during a period of liberal Government expenditure financed by loans, the steel industry succeeds in capturing new export markets, this success will have to be attributed in part to the Government's financial policy.

It should be remembered, however, that the steel industry has to contend with fundamental difficulties in the form of inadequate supplies in Japanese territory of high grade ores and coking coal.

Though the recent progress of the iron and steel industry owes a good deal to Government orders and Government assistance, the authorities continue to meet with obstacles in carrying out their policy of amalgamation. In principle the Government is opposed to price increases, but it was not able to prevent a rise in pig iron prices in the latter half of 1924. The cartel controls 95 per cent. of the pig iron production, but under 60 per cent. of the total production of steel; and the following important manufacturers still remain outside:—

Japan Steel Tubing Company	...	(Tubes, round bars, square bars, flat bars, angles and sheet bars).
Kobe Steel Works...	...	(Wire rods, round bars and angles).
Kawasaki Dockyards	...	(Black sheets, skelps and plates).
Osaka Iron Manufacturing Company	...	(Round bars and angles).
Tokuyama	...	(Black sheets).
Asano Kokura	...	(Wire rods and round bars).

Asano Dockyards (Tsurumi) Iron Manufacturing Department ...	(Thick plates and medium plates).
Amagasaki Steel Manufacturing Company	(Round bars and shapes).
Nakayama Steel Works	(Round bars, angles and black sheets).
Tominaga Iron Works (Amagasaki)	(Black sheets).
Tokai Kogyo (Fukuoka)	(Plates).
Nihon Kogyo (Yatsushiro)	(Thin sheets).
Sumitomo	(Pipes, wheels, etc.).
Azuma Steel Works	(Wire rods, round bars and angles).

Shipbuilding and Engineering.—In 1931 and 1932 there was decreasing activity in Japanese shipbuilding yards, and shipbuilding companies operated at an increasing loss, but a change took place at the end of that period. The State-aided scrap-and-build scheme, of which an outline was given in the last report in this series, came into operation on 1st October, 1932. Government grants in aid of the scheme amounted to 5½ million yen for the financial year 1933-4, and to 4½ million yen for 1934-5. It was proposed under the scheme to scrap 400,000 gross tons of iron or steel vessels over 25 years old and over 1,000 tons gross register and to substitute 200,000 gross tons of new steel cargo vessels each over 4,000 gross registered tons and over 13½ knots speed in a period of three years. It was a proviso of the scheme that the materials used in the building and equipment of the new vessels should so far as possible be of Japanese manufacture. The success of the scheme exceeded expectations and it is reported that 94 vessels of a total gross tonnage of 399,000 had already been scrapped and that 31 new vessels of a total gross tonnage of 199,000 had already been ordered, under the scheme, by June, 1934. Extension of the scheme for a further period is being discussed. New vessels added to the Japanese mercantile fleet in 1933 and 1934, mainly as a result of the scheme, include the following :—

	<i>Number of vessels.</i>	<i>Gross registered tonnage of each vessel (approximate).</i>	<i>Speed in knots of each vessel (where known).</i>
Diesel-engined cargo vessels ...	2	8,400	17
	3	7,500	14
	5	7,160	15
	2	7,000	19½
	1	6,800	13½
	1	6,500	19½
	1	6,500	17
	1	4,600	—
	1	4,000	—
Diesel-engined oil tankers ...	2	10,050	16
Turbine-engined passenger and cargo vessels	1	8,150	16½
	1	4,500	13
Diesel-engined passenger vessel	1	1,848	16

At the end of 1934 the following vessels of 4,000 gross registered tons or over were under construction :—

	<i>Number of vessels.</i>	<i>Gross registered tonnage of each vessel. (approximate).</i>	<i>Designed speed in knots of each vessel (where known).</i>
Diesel-engined cargo vessels ...	1	7,600	17
	1	7,500	13½
	1	7,300	15
	1	7,000	17
	1	6,400	—
	2	4,600	—
Diesel-engined oil tankers ...	1	4,000	—
	1	10,000	16
Turbine-engined passenger and cargo vessels ...	2	6,800	—
	5	4,400	—

The general progress of shipbuilding in Japan in 1933 and 1934 will be evident from the following official statistics relating to vessels of all kinds over 100 gross registered tons :—

				<i>No.</i>	<i>Total gross registered tons.</i>
<i>Vessels under construction :—</i>					
October	1932	...	...	21	39,506
January	1933	...	...	36	67,110
December	1933	...	...	45	113,666
August	1934	...	...	96	131,447
<i>Vessels launched :—</i>					
	1932	...	...	66	58,783
	1933	...	...	67	79,820
January-August	1934	...	...	102	80,299
<i>Vessels completed :—</i>					
	1932	...	...	66	46,352
	1933	...	...	63	66,135
January-August	1934	...	...	99	77,859

The operations of the principal shipbuilding companies which had resulted in an aggregate loss of approximately 3 million yen in the second half of 1932, resulted in increasing profits in 1933 and 1934. The prosperity of the companies was assisted by the increased demand for naval and military equipment and supplies as well as by shipbuilding activity.

Besides the marine engines of modern types installed in the new vessels mentioned above, the following equipment recently built by Japanese engineers in connection with electric power generation in Japan may be mentioned as an index of the capacity of the engineering industry. The information is from the records of the Economic Research Bureau of the Mitsubishi Company :—

Boilers fired by pulverized coal or by chain stokers for units giving electric outputs up to 106,000 k.w. ; steam turbines, with alternators, giving outputs up to 53,000 k.w. ; hydro-turbines for units giving outputs up to 25,300 k.w. ; dynamos of capacities up to

62,500 k.v.a. ; complete thermal power-stations, seven in number, each giving outputs up to 106,000 k.w. ; complete hydro power-stations, six in number, each giving outputs up to 19,000 k.w. ; (seven thermal power-stations and three hydro power-stations, in addition to the foregoing, were under construction in 1934, designed to give outputs up to 65,180 k.w.).

In railway engineering the following were produced or were under construction in 1933-4 :—steam locomotives, 76 ; electric locomotives, 2 ; gasoline locomotives, 73 ; diesel locomotives, 2 ; passenger cars, including mail and luggage vans, 152 ; electric cars, 126 ; freight cars, 730 ; cable cars, 2.

In general it may be said of the engineering industry that it is able to supply all normal requirements and that it looks abroad only for designs and manufacturing licences, and for occasional supplies of machines of a specialized or advanced type.

Machinery and Machine Tools.—Development of the machinery and machine-tool manufacturing industry in particular has been greatly stimulated by the demand for naval and military equipment and supplies. The army reorganization programme, for example, involves renovation and increase of aircraft, tanks, artillery, and munitions. The industry has been stimulated also by the increase in manufacturing, and by the development of communications, and building activity, in Manchuria. Capital investment in the industry, if account be taken only of the principal machinery and tool-manufacturing establishments, has increased from 198 million yen at the beginning of 1933 to 227½ million yen in 1934. Exports of machinery and parts thereof, valued at only 11 million yen in 1932, increased in value to 26 million yen in 1933 and to nearly 58 million yen in 1934. The greater part of this increase is accounted for by exports to Manchuria. Exports to China, amounting to 9½ million yen in 1934, also increased, and there is a small export to India and to Asiatic Russia. The types of machinery now exported from Japan include steam boilers, locomotives, electrical machinery, pumps, metal and wood-working machinery, and printing machinery, and there is an export also of scientific apparatus, instruments of precision, telephone apparatus, clocks, etc.

The increasing ability of Japan to supply her own machinery requirements resulted in a progressive decrease of machinery imports from 1929 to 1932 ; but so great has been the demand for machinery in Japan and in Manchuria in the last two years that imports have again increased as follows :—

	<i>Value in yen.</i>
1932	60,572,902
1933	72,657,971
1934	98,022,254

The types of machinery and machine tools most largely imported are :—

	<i>Import Values in 1,000 yen.</i>	
	<i>1933.</i>	<i>1934.</i>
Steam boilers and parts and accessories thereof ...	1,791	4,091
Internal combustion engines :—		
Under 250 kilos	1,826	3,253
„ 2,500 „	13,955	17,277
Other	366	248
Dynamos and electric motors :—		
Under 100 kilos	1,373	829
„ 5,000 „	192	146
Other	170	248
Gas compressors	669	1,742
Sewing machines	2,061	5,623
Pumps	726	1,000
Pneumatic tools and machines	256	639
Metal and wood-working machines :—		
Under 100 kilos	228	301
„ 5,000 „	11,726	12,007
Other	4,293	9,125
Spinning machinery	3,520	6,395
Knitting machines	82	1,773
Printing machinery	21	245
Milling cutters, gear cutters, etc.	267	334
Steam turbines	59	430
Fuel economizers	124	393
Parts of automobiles, other than chassis and tyres	10,883	27,769
Clocks and watches and parts	2,245	2,796
Metres (ampere, volt, watt, etc.)	1,704	1,607
Physical and chemical instruments	1,049	1,003
Other scientific instruments	2,141	1,265
Telephonic instruments	2,606	1,358
Ball bearings	567	676
Cylinders for compressed gases	342	1,539
Chains, for cycles, etc.	444	461
Cocks and valves	606	684
Photographic instruments	765	1,419
Fire-arms and parts thereof	6,452	1,031
Card clothing... ..	2,441	2,574
Felts for paper making	1,341	1,410

The appropriations for military expenditure in the Budget for 1935-1936 indicate continuance of the Army and Navy reorganization programmes, but on the other hand it is doubtful whether development in Manchuria will continue at the same rate as in 1934. It is to be expected also that Japanese machinery manufacturers will soon be able to supply a larger share of total requirements in Japan and Manchuria than hitherto. Imports therefore may not continue to increase at the same rate as in the last three years. In the meantime there is keen competition in the import market by all the

principal machinery manufacturing countries, which shared in the trade, in 1934, as follows:—

	<i>Import values in 1,000 yen.</i>
U.S.A....	35,535
Germany ...	24,858
United Kingdom ...	15,905
Sweden ...	5,395
Switzerland ...	3,596
France ...	3,332
Share of all other countries...	9,401
	<hr/> 98,022

Chemicals.—The production of heavy chemicals in Japan has now reached a point where there is in many cases a surplus for export. It will be observed from the following statement of production and consumption that an export sometimes takes place although an import is necessary to meet domestic requirements:

Production and Consumption of Heavy Chemicals, 1934.

Soda Ash.

According to the Ministry of Commerce the production during the period January-October, 1934, inclusive, amounted to 134,061 kilo tons, and as 15,285 tons were produced in October the total for the year ending December 31st may be estimated at 165,000 kilo tons. Of this quantity probably 6,000 tons were converted into 8,000 tons of bicarbonate of soda, leaving 159,000 tons of ash to be sold as such. Therefore:—

Domestic production ...	159,000 tons
Imports 35,700 tons—actual deliveries ...	34,000 "
	<hr/> 193,000 "
Estimated consumption ...	160,000 tons
Exports ...	16,000 "
	<hr/> 176,000 "
Surplus ...	17,000 "

Caustic Soda.

Domestic production January-October, 1934 ...	133,972 "
Estimated production November-December, 1934 ...	30,000 "
Estimated production outside Association, Jan.-Dec., 1934 ...	10,000 "
	<hr/> 173,972 "
Imports—actual deliveries ...	10,000 "
	<hr/> 183,972 "
Estimated consumption ...	160,000 tons
Exports ...	13,000 "
	<hr/> 173,000 "
Surplus ...	10,972 "

Bicarbonate of Soda.

Estimated Domestic production ...	8,000 "
Imports 2,500 tons—Actual deliveries ...	2,000 "
	<hr/> 10,000 "
Estimated consumption ...	8,000 tons
Exports ...	1,700 "
	<hr/> 9,700 "
Surplus ...	300 "

Sulphate of Ammonia.

Domestic production January-October, 1934	...	...	...	655,192	tons
Estimated production November-December, 1934	...	...	...	150,000	"
				<u>805,192</u>	"
Imports into Japan, Chosen, Taiwan	...	...	...	222,100	"
				<u>1,027,292</u>	"
Estimated consumption Japan, Chosen, Taiwan	...	...	...	1,020,000	"
				<u>7,292</u>	"
Exports	...	...	...	1,500	"
				<u>5,792</u>	"
Surplus	...				"

Cyanamide.

Domestic production January-October, 1934	...	...	...	107,378	"
Estimated production November-December, 1934	...	...	...	30,000	"
				<u>137,378</u>	"
Estimated consumption	...	...	...	130,000	"
				<u>7,378</u>	"
Estimated surplus					"

Future Production of Alkalis.—The production of alkalis increased steadily throughout the year, and there is every indication that the peak reached in October, 1934, will be maintained, if not exceeded, in the future.

A forecast for 1935 by a good authority is as follows:—

Soda Ash.

Production January-December, 1935	...	...	...	195,000	tons
Estimated imports January-December, 1935	...	...	...	30,000	"
				<u>225,000</u>	"
Estimated consumption January-December, 1935	...	...	...	175,000	"
				<u>50,000</u>	"
Estimated exports	...	...	...	20,000	"
				<u>30,000</u>	"
Surplus	...				"

Caustic Soda.

Production January-December, 1935	...	...	...	201,000	"
Estimated imports January-December, 1935	...	...	...	10,000	"
				<u>211,000</u>	"
Estimated consumption January-December, 1935	...	...	...	180,000	"
				<u>31,000</u>	"
Estimated exports	...	...	...	15,000	"
				<u>16,000</u>	"
Surplus	...				"

Bicarbonate of Soda.

Production January-December, 1935	...	...	...	...	9,600 tons
Estimated Imports January-December, 1935	...	...	...	...	2,000 "
					<hr/>
Estimated consumption January-December, 1935	...	...	...	...	11,600 "
					<hr/>
					8,000 "
					<hr/>
Estimated exports	...	...	...	...	3,600 "
					<hr/>
					2,000 "
					<hr/>
				Surplus	1,600 "
					<hr/>

Sulphate of Ammonia.

A shortage of 100/120,000 tons was anticipated in the spring of 1934, but owing to the abnormally small rainfall, particularly in Korea, over 220,000 tons had to be imported to make up the deficiency between supply and demand which increased considerably owing to the advance in prices of rice and silk. For the same reasons it is expected that at least 150,000 tons will be imported during the calendar year 1935.

Cyanamide.

The production of this fertiliser is regulated by the domestic demand, and will, it is expected be of the order of 140,000 tons in 1935.

The import and export trade in Japan in the lighter chemicals is shown in detail in the Monthly and Annual Returns of Japan's Foreign Trade. Imports exceed exports, the figures for the year 1934 being, approximately, imports 45 million yen and exports 23 million yen.

Cement.—The capitalisation of the 18 principal cement-making companies increased from 150 million yen in the second half of 1932 to 176 million yen in the first half of 1934. There are several smaller companies. Production of cement averaged monthly 311,000 metric tons in 1932, 398,000 metric tons in 1933, and 402,600 metric tons in 1934; but these figures represent only about half the producing capacity of the industry, since restriction of production, prescribed by the Cement Makers Association, though not hitherto observed by all the companies, has been in force to the extent of 57½ per cent. capacity in 1932, 50 per cent. in 1933 and 57 per cent. in 1934. The Japanese Ministry of Commerce and Industry is now endeavouring, by application of the provisions of the Staple Industries Control Law of 1931, to bring about uniform observance of production curtailment rates by all the companies and agreement among them as to selling prices.

Investigation of the cost of production of cement in Japan has shown the nett cost of a barrel of 170 kilogrammes (375 lbs.) to be from 2·50 yen to 2·80 yen. Publicly quoted, nominal wholesale prices of cement for delivery in Tokyo were, in November, 1934:—

per barrel of 170 kilos, 4·07 to 4·77 yen
per cloth bag of 50 kilos, 1·26 to 1·44 yen
per paper bag of 50 kilos, 1·11 to 1·28 yen.

Average prices of cement exported from Japan, according to the Japanese customs returns, have been .96 yen in 1932, .80 yen in 1933, and .75 yen in 1934, per 50 kilogrammes.

Quantities exported in the last three years have been as follows :—

			<i>Piculs of 60 kilogrammes.</i>
1932	...	...	7,426,129
1933	...	...	7,904,095
1934	...	...	8,998,422

The principal destinations of these exports are Manchuria, China, Hongkong, the Dutch East Indies, the Straits Settlements and British India. Exports in smaller quantities are made to North and South America, Africa, Australia, the Philippine Islands, Burma, the Persian Gulf, Samoa and New Guinea.

Pottery and Porcelain.—This is an industry mainly of small establishments, carried on in most parts of Japan Proper, but chiefly in the neighbourhood of Osaka, Kyoto and Nagoya, and in the northern part of Kyushu. Official statistics give the number of establishments in 1932 as 6,474 and the number of workers as 43,948, of whom 69 per cent. were male operatives and 31 per cent. females. Among the numerous establishments there were, however, some very large ones, namely 6 establishments employing between 200 and 500 workers, 1 employing 800 workers, and 1 employing 1,600 workers. It is claimed for the last that it is the largest single establishment of its kind in the world.

The products of the industry and their values, in 1932, were :—

			<i>Value in 1,000 yen.</i>
Table ware	...	...	35,733
Furnishing and decorative ware	...	...	11,593
Porcelain insulators	...	...	4,743
Industrial ware	...	...	2,935
Toys	...	...	2,595
Miscellaneous	...	...	7,663
			<hr/> 65,262

Production has been approximately the same in value since 1919, when the industry attained its present dimensions.

Exports of pottery and porcelain are, in value, among the principal exports from Japan Proper, and are sent to all parts of the world, but in largest amounts to the United States of America, India, the Dutch East Indies, China and Manchuria, and Australia. The U.S.A. took 34 per cent. of the total export,

by value, in 1934. Although production has not recently increased, exports have increased considerably in value, viz. :—

					<i>Value in 1,000 yen.</i>
1932	...	...	...	...	22,937
1933	...	...	...	...	35,634
1934	...	...	...	...	41,877

The export in 1934 was made up of the following :—

					<i>Value in yen.</i>
Table ware, etc., for domestic use	...	...	...	...	37,864,138
Tiles, etc., for building purposes	...	...	...	...	2,376,634
Insulators, etc., for electrical use	...	...	...	...	979,802
Other	...	...	...	...	656,867
					<u>41,877,441</u>

Although the industry includes so many small manufacturing units, effective control over production, and over the quantities of exports to different markets and the prices of articles exported, is maintained by Associations of Manufacturers and Exporters, assisted by the official Bureau for the Rationalization of Industry, and by the provisions of the Export Guilds Law. Reliable information from exporters shows that in the last three years, as the result of rationalization measures and co-operation among manufacturers and exporters, there have been increases in wholesale export prices of various articles exported, of which the following are examples :—

	1932.	1933.	1934.
	<i>Prices in yen.</i>		
Porcelain tea-sets (23 pieces) ...	·52	·57	·78
Cups and saucers (dozen) ...	·30	·33	·49
Egg-cups (dozen) ...	·19	·21	·27

Glass.—The products of the Japanese glass-making industry include sheet-glass (1·1 mm. to 10 mm. thickness), bottles, table glass-ware, ornamental glass-ware, mirrors, watch-glasses, eye-glasses, beads.

Commercial returns of sheet-glass production show that 2,856,000 cases (of 100 square feet) were produced in 1933, and that 3,500,000 cases will probably have been produced in 1934. It is understood that in 1933 Japan produced more sheet-glass than any other country. The producing capacity of the industry is placed at 3,800,000 cases of sheet-glass annually, or 4,300,000 cases if the capacity of the Dairen subsidiary of the Asahi Glass Company be included. This Company, which increased its paid-up capital from 6,875,000 yen in 1932 to 12,500,000 yen in 1934, and the Nippon Sheet-glass Company, are the largest producers of sheet-glass.

The detailed statistics of export and imports of glass and glass-ware, given in the Japanese Monthly and Annual Returns of Foreign Trade, show that the exports from Japan, in order of value, are bottles, table glass, mirrors, beads, thermos flasks, eye-glasses, window glass, and watch-glasses, and that the principal markets for these articles in 1934 were (1) India, (2) the Dutch East Indies, (3) the U.S.A., (4) China. Exports are however very widespread, and reach all parts of the world including the United Kingdom and the British Dominions and Colonies. Imports are mainly plate glass (plain and with netting inlaid) and photographic dry plates. The United Kingdom has at present the largest share of the trade in the latter.

Tinned and Bottled Foods.—The products of the industry include tinned milk, meat, salmon, crab, sardines, tuna, shell-fish, vegetables, fruits, flavourings; and bottled meat, fish, shell-fish, vegetables, and flavourings. The progress of the industry may be judged very well from the increasing quantities and values of exports of these foods, which have been as follows, according to the Customs returns of exports from Japan Proper.

				<i>Quantities in piculs of 132 lbs.</i>	<i>Value in 1,000 yen.</i>
In 1932	...	...	...	568,759	22,774
„ 1933	...	...	...	986,646	46,984
„ 1934	...	...	...	1,104,678	50,304

On the basis of the above figures, tinned and bottled foods were in 1933 the most valuable export from Japan Proper after raw silk, and silk, artificial silk, and cotton textiles, and in 1934 the sixth most valuable export. The above quantities and values do not however include all the exports of the industry. They do not include, for example, exports of condensed milk, which are entered separately in the Japanese Customs returns, and which have increased as follows:—

				<i>Piculs of 132 lbs.</i>	<i>Value in yen.</i>
1932	...	...	...	18,050	429,812
1933	...	...	...	22,674	743,455
1934	...	...	...	58,061	1,537,882

nor do they include, of course, exports of articles such as beer and other alcoholic liquors, or mineral waters. Moreover they do not include, as these do not pass through the Japanese Customs, the large and valuable amounts of tinned salmon shipped abroad direct from the Japanese fisheries in Kamchatka and Siberia. Tinned crab is also shipped direct from the fisheries, but it has been the practice hitherto to bring most of the tinned crab to Japan Proper, for export through the Japanese Customs. Direct shipments from the fisheries, to the United Kingdom alone, were, according to the

best available information, of an f.o.b. value of 18,456,000 yen in 1932, 14,005,497 yen in 1933, and 21,000,000 yen in 1934. It is perhaps not generally realized that in 1932 and in several previous years, and in 1933 with the exception of raw silk, tinned salmon and tinned crab shipped direct from the fisheries were the most valuable of all the Japanese exports to the United Kingdom. In 1934 the most valuable single Japanese export to the United Kingdom was tinned and bottled foods from Japan Proper, valued, according to the Japanese Customs returns, at 24,712,000 yen, while in addition there was an export to the United Kingdom, direct from the fisheries, of tinned salmon and tinned crab valued, as mentioned above, at 21 million yen.

Of the tinned and bottled foods exported from Japan Proper the most valuable is tinned crab, brought to Japan from the fisheries. The principal export markets for this product are the United States of America, the United Kingdom, and France. Notwithstanding the large direct shipments of tinned salmon from the fisheries, this product is also one of the most valuable among the foods exported from Japan Proper. It is exported principally to the United Kingdom and to France.

It is rather remarkable that, of the exports of tinned and bottled foods from Japan Proper, the largest quantities are taken by the United Kingdom and the United States of America, the former for example taking, of the total quantity exported, 20 per cent. in 1933, and 39 per cent. in 1934, while the latter took 27 per cent. in 1933 and 14½ per cent. in 1934. On a value basis the figures are even larger, the proportions taken by the United Kingdom being 28 per cent. and 49 per cent., and by the U.S.A. 38 per cent. and 22 per cent.

The industry in Japan Proper is still expanding. A new product is tinned oranges, of which 350,000 cases of 4 dozen 1 lb. tins were exported in 1933. The growing of asparagus for tinning has been placed on a commercial basis, and it is expected that in a few years the output of tinned asparagus will be sufficient in quantity and quality to supply domestic requirements, to displace imports, and to provide a surplus for export. The tinning of sardines in tomato sauce is another recent enterprise which is being very successful. The quantity of butter tinned is increasing annually, and is now stated to supply 80 per cent. of the requirements of the Japanese market.

Petroleum.—Recent developments in this industry are of more than usual interest in view particularly of the enforcement from 1st July, 1934, of the new Petroleum Industry Law, which affords an important example of the manner in which the Japanese Government's policy of industrial control may affect the undertakings of foreign producers and traders.

The increase already recorded in the consumption of petroleum products in Japan continued in the last two years as follows :—

Estimated Consumption of Principal Petroleum Products in Japan, Korea and Formosa.

		(Tons.)				
		<i>Benzine.</i>	<i>Kerosene.</i>	<i>Gas oil.</i>	<i>Lubricating Oil.</i>	<i>Diesel and Fuel oil.</i>
1932	... ..	615,800	171,200	163,400	172,600	973,400
1933	... ..	653,800	165,800	156,700	191,000	1,092,900
1934	... ..	769,700	179,000	174,800	244,800	1,252,800

With the expansion of manufacturing in Japan, the improvement of roads, and the increasing mechanization of industry and transport, it would seem that the market is still far from saturation point ; and, since Japan has but small petroleum resources and must depend largely upon imports, the two large foreign oil groups, with their long established importing and distributing organizations in Japan, seemed in a fair way to benefitting considerably from the growing demand.

But the Japanese Government, regarding the supply of petroleum products as a matter of national importance, have long considered it advisable to introduce some measure of control over this industry and at last, in 1934, introduced the above-named Law of which the declared objects were to stabilize the market and to encourage refining. The Law was passed by the Diet, which, however, added a rider to the effect that nothing must be done to interfere with the smooth supply of petroleum products.

The first important feature of the Law is a licensing system. Licences allocating sales quotas to firms engaged in the importation or production of refined products have been issued for July-December, 1934, and for the year 1935, and in each case preference was given to the refineries on the ground that there was idle refining capacity in Japan. The foreign oil companies, whose business in Japan is not refining but the importation and distribution of refined products, complain that this preference is unjust to them, for the following reasons :—

(1) Though it is true that there was approximately 30 per cent. idle refining capacity in 1932, demand increased during 1933 and 1934, so that idle capacity would have been largely taken up if, just prior to the enactment of the Law, speculative additions to refining capacity had not been made—additions which the authorities did not discourage.

(2) Even granting that there is still about 30 per cent. of the potential refining capacity remaining idle, the position of Japan in this respect is probably as good as, if not better than, the position of any other country. The unemployed capacity of refineries in other parts of the world in 1933 was :—

North America ...	40 per cent.
South America ...	26 "
Europe	34 "
Asia	15 "
Africa	18 "
Oceania	29 "

The second main feature of the Law is the power which it confers upon the Government to fix prices. The price of gasoline in Japan is the lowest in the world, as the following figures show :—

Retail pump prices of unethylized gasoline at end of 1934.

(U.S. \$ per U.S. gallon).

Italy	0·678	Egypt	0·288
Germany	0·562	India	0·389
France	0·550	Persia	0·238
Canada	0·246	Australia	0·250
Mexico	0·210	Colombia	0·200
U.S.A.	0·180	Japan	0·122
United Kingdom	0·290	Belgium	0·355

And in spite of requests by the companies, both Japanese and foreign, to be allowed to raise the price, the authorities have refused to give permission, except recently to a very limited extent. Their argument was that the interests of consumers (principally the taxi trade) must be considered, and that time must be given for them to adjust themselves to a new level of prices. This, however, was two years ago; and the importing companies plead that this continuance of unremunerative prices adds to their anxieties as to their future under the new Law and their doubts as to the possibility of making profits in Japan.

The third and perhaps the most onerous provision calls for stock-keeping on a large scale, each importer being obliged to maintain a stock equal to half his imports for the previous twelve months. This obligation would involve an expenditure of between 70 and 75 million yen, by the industry in Japan, a sum which, in the opinion of the companies, it is entirely unable to bear. No government contribution is made towards this expense; and it is therefore regarded by the companies as a compulsory loan without adequate security, seeing that under the Law they cannot be certain of their future income. Even if a method were found of providing interest and amortization of this loan, the additional annual investment due to increasing consumption would, the foreign companies contend, mean that they must invest each year something more than their annual profits in Japan; while should they, upon trial, find that it would be, from the strictly financial viewpoint, more advantageous to withdraw from business in Japan, they would be faced with the Exchange Control Law, which might make it difficult for them satisfactorily to withdraw their assets.

In these circumstances the foreign oil interests view with great anxiety the above-described provisions of the Petroleum Industry Law. They feel that, whatever its objects, its effect may be discrimination against them, by diverting trade to Japanese concerns, and, quite apart from the question of a reasonable share in the natural increase of trade, to make even the protection of their vested interests impossible without a further capital outlay which they consider oppressive. They have therefore appealed to the

Japanese Government for relief from some of the hardships which the Law imposes upon them; and conversations between their representatives and responsible officials are now in progress.

It will be seen that the control policy of the Government has raised issues of great complexity and importance, not only for the suppliers but also for the Government itself since, whether the petroleum is imported in crude form or as refined products, Japan depends for her supplies principally upon imports. Thus, as to crude oil, the position is approximately as follows:—

Estimated Crude Oil Supplies, in Tons, 1934.

Production in					
Japan ... ..	...	...	...	...	252,600
Formosa...	...	...	...	...	7,100
<hr/>					
Total Japanese production	...	...	...	...	259,700
Total imports	...	...	...	...	1,083,400
<hr/>					
Total supply	...	...	...	...	1,343,100

These figures do not include imports for the Japanese Navy from California, the Netherlands Indies and Northern Sakhalin. It should be explained that Japanese concessions worked in Northern Sakhalin produce about 200,000 tons of crude oil per annum; and this amount, together with some 100,000 tons from Soviet Union-operated wells, is imported into Japan and for the most part purchased by the Navy as fuel oil.

The position in respect of the principal manufactured petroleum products was approximately as follows in the year 1934:—

Products.	Tons.				
	Benzine	Kerosene	Gas oil	Lubricating Oil.	Diesel and Fuel oil.
Manufactured from domestic crude oil (Japan and Formosa)	41,700	13,600	40,900	41,800	26,800
Manufactured from imported crude oil... ..	318,400	53,600	147,500	166,700	122,100
Imported	426,900	99,900	—	34,700	1,127,000
<hr/>					
Total supply	787,000	167,100	188,400	243,200	1,265,900

It will be seen that over 80 per cent. of the crude oil supply comes from sources outside Japanese territory, and about 93 per cent. of the supply of petroleum products is either imported or manufactured from imported crude oil. The extent of Japan's dependence upon foreign supplies is slightly diminished if account is taken of production which, though not in Japanese territory, is in Japanese hands, i.e. part of the production in Northern Sakhalin and the production of shale oil at Fushun, Manchuria, amounting in 1934 to some 50,000 tons and, it is anticipated, to be doubled in 1935.

MINOR OR NEW INDUSTRIES.

Tinplate.—Production of tinplate in Japan has until recently been confined to the Government Steel Works at Yawata where, as stated in the account of the Iron and Steel Industry, production is now (December, 1934) at the rate of 6,000 tons (metric) per month. It has been gradually increased from about 3,000 tons per month in 1932. Equipment at Yawata is being further extended, and it is expected that in the near future production will be in the neighbourhood of 7,000 to 8,000 tons per month.

A new tinplate manufacturing company, the Fuso Kogyo Kabushiki Kaisha, began production in 1934 and up to May of that year had produced 1,700 metric tons. Since May 1934 the production of this company has averaged 608 tons per month, while the Company's production capacity is understood to be at least 1,000 tons per month.

Another new tinplate manufacturing company, the Toyo Kohan Kabushiki Kaisha has been formed as a subsidiary of the Far East Can Manufacturing Company. Machinery, of which approximately 75 per cent. has been imported from the U.S.A.—the remainder having been supplied by Japanese manufacturers—is now being installed, to give a production capacity of about 4,000 tons per month, and it is expected that production at this rate can be attained by the end of 1935.

On a conservative estimate, therefore, the production of tinplate in Japan will be in the neighbourhood of 127,000 tons per annum in 1936, or, if all the equipment mentioned above be employed to full capacity, 156,000 tons per annum.

Hitherto the tinplate produced in Japan has been used mainly for oil tins. The quantity of Japanese-made tinplate used for this purpose is likely to increase, as the foreign oil-importing companies, who at present use about 8,000 tons of imported tinplate per annum, have found, by test, that Japanese-made tinplate of the kind they require is now equal in quality to imported tinplate. The quantity of Japanese-made plate used in food-canning, which is at present small, may also be expected to increase, especially when the Toyo Kohan Kabushiki Kaisha has begun production.

Up to the present the total annual consumption of tinplate in Japan Proper has been approximately 138,000 metric tons, supplied to the extent of about two-thirds by imports and one-third by local production. Consumption will probably increase. The Japanese food-canning industry is expanding, and the use of lubricating oils and motor spirit is growing with the development of motor transport and aviation, both civil and military, and with the increased mechanization of industry generally.

Imports in future must obviously depend, both as to quantity and prices, on the margin between total consumption and total production in Japan, and on the prices at which Japanese-made tinplate

is sold. The U.S.A., the United Kingdom, and Germany, supply practically all the imports, other European countries occasionally supplying small quantities. Imports in 1932, 1933, and 1934 were :—

				<i>1932.</i>	<i>Metric tons.</i>
From	U.S.A.	...	...	...	12,829
"	United Kingdom	...	...	...	31,310
"	Germany	...	...	...	18,864
"	Italy	...	...	...	467
					<hr style="width: 100%;"/>
					63,470
					<hr style="width: 100%;"/>
				<i>1933.</i>	<i>Metric tons.</i>
From	U.S.A.	...	...	...	24,989
"	United Kingdom	...	...	...	27,361
"	Germany	...	...	...	22,619
"	Italy	...	...	...	4,849
"	Belgium	...	...	...	94
					<hr style="width: 100%;"/>
					79,912
					<hr style="width: 100%;"/>
				<i>1934.</i>	<i>Metric tons.</i>
				<i>(Jan.—Sept.)</i>	
From	U.S.A.	...	...	...	38,253
"	United Kingdom	...	...	...	5,428
"	Germany	...	...	...	18,818
"	France	...	...	...	927
"	Belgium	...	...	...	1,839
"	Holland	...	...	...	2,584
"	other countries	...	...	...	140
					<hr style="width: 100%;"/>
					67,989
					<hr style="width: 100%;"/>

Competition in the import market has always been severe. Prices of tinplate imported into Japan from the U.S.A., the United Kingdom, Germany, France, and Italy are at present, by agreement among the manufacturers in those countries, theoretically the same; but importers consider quality and packing in relation to prices, and the closest attention should be given to the supply of high and uniform quality plates, with adequate packing, to meet the competition of foreign suppliers.

It is, of course, the aim of the Japanese manufacturers of tinplate to supply first of all the home market. There has been no mention so far of any intention to export. But no doubt the possibilities of exporting will be examined, if home production comes near to satisfying the home demand.

Rubber.—Imports of crude rubber and gutta-percha into Japan Proper, practically all from the Straits Settlements and the Dutch East Indies, have increased as follows :—

				<i>Weight in piculs of 132 lbs.</i>
1932	...	...	...	952,325
1933	...	...	...	1,165,497
1934	...	...	...	1,197,051

There are no statistics of production of articles manufactured from rubber later than for the year 1932. In that year the following were produced, according to official records, in factories employing more than 5 workers, but the total production must have been somewhat greater, since much work is done (e.g., the making of canvas shoes with rubber soles) in smaller establishments and as piece-work in households :—

	<i>Values in yen.</i>
Pneumatic tyres (covers and tubes) for aircraft, motor-cars, and motor-cycles, and solid tyres	12,009,269
ditto for bicycles, jinrikishas, etc.	12,070,900
Articles of rubber for use with machinery	1,173,019
Boots and shoes of rubber, including canvas shoes with rubber soles (34,294,225 pairs)	17,352,593
Rubber toys	5,027,635
„ hose	2,191,898
„ belting	4,438,945
Other manufactures of rubber	11,618,598
	65,862,857

Production has continued to increase since 1932, according to reliable commercial information, which also states that technical skill in the industry has improved, while costs have been reduced by co-operative purchasing of raw rubber and by better factory methods, and that the Japanese manufacturers are now able to produce articles not generally inferior to those made in Europe or North America, at prices with which European and North American manufacturers cannot compete.

The following factories were in operation in 1932 :—

	<i>Number of factories.</i>
Employing between 5 and 10 workers	154
„ „ 10 „ 15 „	88
„ „ 15 „ 30 „	167
„ „ 30 „ 50 „	132
„ „ 50 „ 100 „	91
„ „ 100 „ 200 „	31
„ „ 200 „ 500 „	17
„ „ 500 „ 1,000 „	3
„ over 1,000 workers	1
	684

Exports in 1934 included the following :—

	<i>Quantity.</i>	<i>Value in Yen.</i>
Boots and shoes of rubber	575,709 dozen	3,332,584
Ditto of canvas with rubber soles	2,403,593 „	13,297,551
Automobile tyres	—	3,675,897
Cycle and jinrikisha tyres	—	6,318,879
Toys of rubber	—	6,406,263
Other manufactures of rubber	—	5,215,995

Exports of rubber footwear to the United Kingdom and a number of other countries have decreased in 1934, owing to tariff and other restrictions. There were, however, increased exports of bicycle

and motor-car tyres, and of miscellaneous manufactures of rubber. The industry as a whole is in a flourishing condition, and competition by the Japanese manufacturers in all the world's markets tends steadily to increase.

Imports into Japan of manufactured articles of rubber are now insignificant. Motor-car tyres imported in 1934 were valued at only 9,000 yen. Golf-balls and a limited number of technical specialities are still imported, but it is understood that the manufacture of golf balls will soon be begun.

Automobiles.—It has long been and still is the policy of the Japanese authorities, particularly the military authorities, to encourage the development of a purely Japanese automobile manufacturing industry, as distinct from the branch industries in Japan of foreign organizations like the Ford Company, General Motors, etc. With this end in view financial assistance has been given by the military authorities and by the Ministry of Commerce to Japanese manufacturers, and the import tariff on motor car parts was raised from 25 to 35 per cent. ad valorem in 1932.

The result of this policy has been that purely Japanese factories have increased their production of automobile parts, and have produced a number of motor trucks and passenger cars, mostly for the use of the military authorities, and a small number of passenger cars of the English "baby" car type. The total number of motor vehicles produced by purely Japanese enterprises is estimated to have been 840 in 1932 and about 1,500 in 1933.

In 1934 a Japanese company, the Nissan Automobile Company, Limited, of which the capital, 10 million yen, is entirely Japanese, was formed for the manufacture of automobile parts and for the manufacture in larger numbers of the Datsun car, which is the Japanese "baby" car. The company's factories have up-to-date equipment, suitable for the production of automobile parts of all kinds, and they supply parts to the branch factories in Japan of the Ford Company and General Motors. It is understood that between 250 and 300 Datsun cars were produced in 1934, and that the present production capacity of the factories is about 100 cars a month, but that it is hoped to increase the production to 500 cars a month.

Although the Japanese automobile industry is thus progressing, it is still a long way from being able to satisfy the growing requirements of the country, as will be evident from the following figures:—

	1932.	Imports. 1933.	1934.
Motor car parts, not including chassis or tyres (value in yen)	10,611,095	10,883,014	27,769,236
Chassis only—(number)	703	780	950
—(value in yen)	892,832	1,115,531	1,167,027
Tyres—(value in yen)	423,262	8,413	8,900
Complete vehicles—(number)	997	491	896
—(value in yen)... ..	2,894,234	1,864,392	3,357,061

Vehicles produced by branch factories in Japan of foreign organizations :—

				<i>Number of vehicles.</i>
1931	...	...	...	18,908
1932	...	...	...	13,327
1933	...	...	...	15,600 (approximately)

The import of complete vehicles is confined practically to high-class passenger cars. The chassis import represents principally trucks, for completion in Japan. The greater part of the increasing market for passenger cars, motor buses and trucks is supplied by vehicles assembled, from imported or Japanese-made parts, by the branch organizations in Japan of foreign companies.

Efforts are being made to develop exports of the Datsun car, which is sold by retail dealers in Japan at the following prices :— four-passenger Sedan, 1,975 yen; Roadster, 1,775 yen; Phaeton 1,850 yen; Light Delivery Van, 1,795 yen. Prices for export would probably be less, by varying amounts up to 10 per cent., according to the number of cars ordered. Exports so far have been small, consisting of about 100 cars sent to Australia, and demonstration models sent to Java, India, Africa and South America.

Radio Apparatus, Gramophones, etc.—The broadcasting stations in Japan Proper, of which there were 28 in June, 1934, operate on wave-lengths of from 303 to 508 metres. Licences are not issued for short-wave receiving sets for public use. The electricity supply is almost invariably 100 to 110 volts, alternating current.

For reception of the programmes of the local stations, efficient receiving sets with loud-speakers are now manufactured very cheaply in Japan. Manufacture has been assisted by an import tariff of 40 per cent. ad valorem on radio receiving sets and parts thereof, and imports, which are now very small, are confined to the following: new types of apparatus, in small numbers, imported as novelties and for purposes of study; the best super-heterodyne receivers, which are not yet produced in Japan; a few of the best loud-speakers; and American-type valves in small quantities. Imports of radio-receiving sets in 1934 were valued at only 355,000 yen.

There is practically no market for imported gramophones, radio-gramophones, or gramophone records, which also are manufactured in the country. There was an export of gramophones in 1934 valued at 3,263,000 yen.

Toys and Fancy Goods.—The Japanese toy and fancy goods industry has advanced considerably of late. Importers in many markets previously supplied by Germany have placed their orders in Japan instead, and exports of toys alone from Japan have increased in value from 15 million yen in 1932 to 26 million yen in

1933 and 30 million yen in 1934. Experienced United Kingdom exporters of toys and fancy goods from Japan are of opinion that much of the trade recently gained at the expense of Germany will remain with Japan, e.g., the trade in mechanical toys. The quality of those now made in Japan is, according to exporters, excellent. Various kinds of fancy goods produced in Japan, e.g., ladies' hand-bags, compact cases, etc., are now also equal in quality and in artistic appearance to any produced elsewhere, and the advance which these have made recently in new markets will probably also be maintained.

III. FOREIGN TRADE.

General Features.—The following figures show the development of the foreign trade of Japan* as an exchange of commodities during the past five years, compared with 1929, which was the last peak year :—

	1929.	1930.	1931.	1932.	1933.	1934.
			<i>Million yen.</i>			
Imports ...	2,216	1,546	1,235	1,431	1,917	2,282
Exports ...	2,148	1,470	1,147	1,410	1,861	2,172

Owing to variations in the exchange value of the yen and in commodity prices during the period covered it is difficult to measure with any degree of certainty the quantitative changes which these figures represent.

The League of Nations Review of World Trade (1934) estimates the quantum of Japanese exports for 1933 at 110 and the quantum of imports at 114, on the basis of 1929=100. It may therefore be said that, though Japanese trade was in 1932 remarkable because of its increase during a period of world depression, it has now made even more remarkable progress, and climbed up to its pre-depression level.

Complete figures for the year 1934 are not available, but the composite quantity index calculated by the Research Institute of the Kobe University of Commerce is as follows :—

Monthly average, 1913 ...	100·0
" " 1933 ...	214·0
to November, 1934 ...	238·7

By this computation exports for 1934 show a quantitative increase of about 11 per cent. over 1933.

* The corresponding figures for the Japanese Empire, including Japan Proper, Korea, Formosa, and the Mandated South Sea Islands, are :—

	1929.	1930.	1931.	1932.	1933.	1934.
Imports ...	2,358	1,680	1,319	1,524	2,017	2,400
Exports ...	2,065	1,518	1,179	1,457	1,932	2,258

The character, as apart from the quantity, of Japan's foreign trade is shown in the following table :—

Imports and Exports by Categories, showing percentage of each Category in total trade (Japan Proper).

	1929. Per cent.	1932. Per cent.	1933. Per cent.	1934. Per cent.
Imports :—				
Foodstuffs	12·2	11·2	9·0	7·7
Raw materials	55·3	58·6	61·6	61·3
Semi-manufactured articles	16·0	14·0	17·2	18·2
Manufactures... ..	15·6	15·4	11·5	12·1
Others and re-imports	·9	·8	·7	·7
	100·0	100·0	100·0	100·0
Exports :—				
Foodstuffs	7·5	7·4	8·5	7·9
Raw materials	4·2	3·6	4·0	4·4
Semi-manufactured articles... ..	41·1	34·5	28·9	23·0
Manufactures... ..	43·6	49·7	55·4	61·9
Others and re-exports	3·6	4·8	3·2	2·8
	100·0	100·0	100·0	100·0

It will be seen that the percentage of manufactured goods tends to decrease in imports and to increase in exports.

If allowance is made for the amount of manufactured articles included in " foodstuffs ", " others " and " re-exports ", the share of manufactured and semi-manufactured articles in the export trade of Japan amounts probably to nearly 90 per cent.

Japanese Competition in World Trade.—This question has two main aspects—that of Japan's position as a competitor in the sale of finished goods and her position as a purchaser of raw materials.

Her position as a purchaser of raw materials is obviously an important one, since she buys on balance more commodities than she sells, and of what she buys 61 per cent. consists of raw materials. She is a leading purchaser of raw cotton, wool, rubber, oil, ores and metals, and in this respect may be considered to have benefited producers by maintaining demand in a period of economic depression. In so far as she has used these raw materials in the manufacture of goods which have created a new effective demand (e.g. cheap rubber shoes) she has conferred a benefit upon consumers as well.

With regard to Japanese competition in the world's markets, it has lately been suggested that its dimensions have been exaggerated. The latest Review of World Trade published by the League of Nations estimates the share of Japan in world trade as follows :—

Japan's percentage of world trade.

	Export.	Import.
1929	2·93	2·80
1931	2·89	2·83
1932	2·82	2·82
1933	3·13	3·04

The harm done to other exporting countries by a trade which is only three or four per cent. of the world's export trade can scarcely, it is sometimes argued, justify the outcry that has been made by aggrieved parties. It is true that, viewed thus as a fraction of the world's interchange of commodities, Japan's foreign trade assumes less menacing proportions than have been ascribed to it. But it must be remembered that Japan's exports consist almost entirely (nearly 90 per cent. in 1934) of manufactured and semi-manufactured articles, and her exports of raw materials are almost negligible. She does not compete with raw material exporters, any more than the watchmaker competes with the green-grocer, and therefore the scale of Japanese competition is better represented by the ratio of her exports to the total of world exports of manufactured goods. Assuming that exports of manufactured goods are about one-third of total world exports, Japan's share of the trade in which she is competitive is not 3.13 per cent. but 10 per cent.

Moreover, the effect of competition depends not so much upon the total volume of a competing country's exports, as upon the geographical range within which that competition is distributed and the intensity with which it develops at points within that range. Consequently, although the percentages just mentioned give, from the point of view of other trading countries, a reassuring estimate of the quantitative importance of Japanese trade, and do not support the panic-stricken view that its growth is undermining the present fabric of world trade, Japanese competition does nevertheless by reason of its direction and its intensity constitute for those industries which have to meet it a serious problem.

Examined from the point of view of its geographical distribution, Japanese export trade shows interesting new developments. The official returns now include details of exports to a number of destinations which were before 1934 not specified because they were unimportant as markets for Japanese goods. Among these are :

In Asia	...	...	Syria, Palestine, Iraq, Ceylon.
In Central America	...	...	Panama, Guatemala, Honduras, Haiti, Jamaica.
In South America	...	...	Venezuela, Colombia, British Guiana.
In Africa	...	...	French Somaliland, Kenya, Uganda and Tanganyika, Portuguese East Africa, Spanish Morocco, French Morocco, Nigeria, Sudan, Gold Coast.

The appearance of these new destinations bears witness to the efforts made by Japanese exporters to exploit new markets—efforts due in part to restrictive action taken against Japanese trade in other markets. In general it may be said that the direction of

Japanese exports has been towards markets with low *per caput* purchasing power. Thus :

	1932.	1933.	1934.
	<i>Million yen.</i>	<i>Million yen.</i>	<i>Million yen.</i>
Exports to :—			
Asia	678	931	1,169
Africa	86	137	182
Europe	127	182	228
N. America	454	499	408
Central America	5	16	43
S. America	13	30	61

It will be seen that the figures for Europe and North America do not show much change whereas the increase for Asia, Africa, South and Central America has been considerable. This increase in the spread of Japan's export markets has been accompanied by some change in the composition of her export trade. In the previous record year, 1929, the most important items of export were :—

	<i>Million yen.</i>
Yarns and Threads :—	
Raw silk	781·0
Rayon yarn	0·2
Other	54·6
	<hr/>
	835·8
Tissues :—	
Cotton	412·7
Rayon (estimate)	30·0
Other	166·9
	<hr/>
	609·6

so that in 1929 what may be called the textile group accounted for 1,445 million yen, or 67 per cent. out of a total export value of 2,148 million yen.

In 1933 and 1934 the position was as follows :—

	1933.	1934.
	<i>Million yen.</i>	<i>Million yen.</i>
Yarns and Threads :—		
Raw silk	391	
Rayon yarn	10	
Others	35	
	<hr/>	
	436	369
Tissues :—		
Cotton	383	
Rayon	77	
Others	132	
	<hr/>	
	592	787
Total Textile group	<hr/>	<hr/>
	1,028	1,156
Total all exports	<hr/>	<hr/>
	(1,861)	(2,172)

So that in these last two years the textile group accounted approximately for 55 per cent. and 53 per cent. of the value of all exports.

Thus, not only has the share of the textile group in the export trade somewhat diminished, but the constitution of the textile group has changed, for raw silk has gone down, while cotton and rayon have gone up. Therefore unless the demand for raw silk shows, in the U.S.A. or elsewhere, a degree of improvement which seems at present highly improbable, the composition of Japan's chief export group has definitely changed from one in which a home-produced semi-manufactured natural product was predominant, to one which consists largely of manufactured goods made from imported materials. The change is even more conspicuous if one regards the production of artificial silk yarn as a chemical rather than a textile industry. It should be noted moreover that raw silk is a virtually non-competitive export, whereas rayon yarn is competitive with the production of other countries.

If we proceed to examine the remainder of Japanese exports, after separating out the textile group, certain new tendencies become apparent. Thus, taking some principal items only :

Exports other than yarns and tissues.

	1929.	1933.	1934.
	<i>Million yen.</i>		
Foods, tinned and bottled	25.6	46.9	50.3
Soap	1.6	3.2	3.5
Drugs and chemicals	34.8	48.2	52.4
Boots and shoes	15.0	29.6	21.5
Pottery	37.0	35.6	41.8
Glass	13.2	15.3	19.4
Metal manufactures	25.2	42.6	59.0
Clocks, scientific instruments, vehicles, machines	38.6	67.6	124.9
Of which—			
Vehicles and parts	12.6	28.3	46.5
Machinery and parts	13.6	25.8	57.7
Lamps	9.5	15.8	15.6

It will be seen that the group of manufactured articles other than textiles is growing in value and relative importance. There is also a greater variety in items of export (a fact which the above figures do not fully reveal) and a new importance has been gained by tinned and bottled foodstuffs, chemicals, instruments and machinery, lamps, iron manufactures (enamelled ware), glass ware and woollen tissues. This development has not yet reached a point where one can say that the composition of Japan's export trade has undergone a fundamental change, but it has gone far enough to show that she can now supply a greater diversity of manufactured goods than before.

But it is not easy at present to see how Japan can find new markets or much further exploit those which she has already developed in the last few years. Obstacles in various forms have been placed in the way of imports from Japan in a number of

countries throughout the world; and although Japanese exporters continue to make strong efforts to surmount those obstacles by such means as are open to them, and the Japanese Government endeavours to assist those efforts by official action, it does not seem likely that exporters can do much more than maintain their present position in most of their present markets. Nor, obviously, quite apart from artificial limits, can the process of exploiting either new markets or hitherto untapped levels of purchasing power continue indefinitely. It is therefore generally thought that 1935 will not show any remarkable increase in export figures.

At the same time there can be no doubt that, given the markets, the competitive strength of Japanese exports remains substantially undiminished. The wholesale price index (December, 1931 = 100) of commodities for export was calculated (Mitsubishi Research Bureau) at 130.1 for December, 1933 and 133.7 for December, 1934. It is true that this index is pulled down by a fall in raw silk prices, but enquiries among general exporters tend to confirm that, with a few exceptions, there has been only a slight upward movement in export prices. Averages calculated on the basis of statistics of values and quantities recorded in the official returns of foreign trade give further information. Thus:—

Average value of exports of:—	1933 (to Nov.) 1934 (to Nov.)	
	Yen.	Yen.
Cotton tissues (sq. yd.)	0.18	0.19
Rayon yarn (per lb.)	1.40	1.34
Rubber shoes (doz.)	7.76	5.75
Thermos bottles (doz.)	6.90	7.00
Enamelled ironware (100 kin)	31.20	32.50
Electric light bulbs (gross)	5.38	5.58

These samples, though taken more or less haphazard, indicate that export prices are rising, if at all, only very slowly; or, at any rate, that if prices have risen cheaper qualities are being exported. The advantage gained by Japanese exporters from raw materials purchased before the yen declined has now, of course, disappeared; but it must be remembered that on the whole the world price of raw materials has declined in the last few years, so that currency depreciation has in many cases not involved the increase in yen prices which might otherwise have been expected in articles where raw material cost is an important item. Even where there has been a great increase in the cost of raw materials, prices have sometimes shown very little advance. An interesting example is that of rubber manufactures, for although the price of rubber has gone up from 7 to 40 sen per lb., the prices of export goods because of severe competition remain at low levels, showing only a very small advance.

It should also be remembered that, although a depreciated exchange means a higher currency cost of raw materials for internal

trade, it does not affect the short-run competitive power of the Japanese manufacturer, since the price of raw materials is a world price, and competition between him and other exporters, abroad as well as at home, operates only in the margin of added value, and therefore depends primarily upon such factors as wages, factory efficiency, and organisation.

In Japan these factors remain favourable. There is no reason to suppose that labour efficiency or manufacturing and merchandising organisation have ceased to improve; and statistics combine with empiric observation to show that money rates of wages have in general not risen but declined since 1932. Nor so long as prices remain at their present level in Japan is there any immediate prospect of an increase in wage rates sufficient to bring about any important increase in production costs; while, since the price level in Japan depends chiefly upon staple commodities (e.g., rice, fish, vegetables, charcoal, matting, etc.) produced in Japan and not influenced by international price movements, there is no present reason to anticipate an increase in the money cost of living in Japan.

The validity of many of the statements above would, of course, be affected by large-scale changes in the international situation, whether commercial, financial or political; but such matters are outside the scope of this report. Subject to these reservations it may be said that there is no change in the fundamental character of Japanese competition, and the problems which it has raised have not yet shown themselves capable of a constructive solution.

It has been suggested that it is to the disadvantage of Japan as well as of her competitors to persist in a policy of what is called "over-selling the market". If Japan charged higher prices for her exports, then she could afford to sell less goods and still obtain the same return. At the same time, while causing less dislocation of markets, she would diminish those forces which tend to raise barriers against her trade. The barriers have been raised to a height which, in the opinion of good authorities, would not have been reached had Japanese prices not been so excessively low; and the cumulative effect of such restrictions has been to narrow the market for Japanese goods.

It must, in fairness, be admitted that these arguments have their supporters in Japan, and it is obvious that, since foreign trade is an interchange of commodities, the more the country receives for her exports the better. It is, indeed, the declared policy of the authorities to encourage exporters to raise their prices, and they have on more than one occasion taken steps to this end. But the possibilities of price control by governmental action are very limited. It is true, for example, that when a quota system is imposed upon exports of a given commodity, the tendency is for exporters to ask a higher price in compensation for diminished quantities—as when a reduction of 33 per cent. in the quantity of porcelain exported to France

was followed by a reported price increase of 40 per cent. But such increases will normally take place only when a quota is allocated to exporters in fixed proportions and the incentive to price cutting is thereby removed. This is a particular instance of the administrative difficulties in the way of a policy of raising prices, and there are many obstacles of a more general nature.

It has been pointed out above, in discussing the present industrial structure, that the great diversity of producers in a given trade stands in the way of the formation of groups that will act in unison. Price agreements within an industry are consequently very difficult to reach and to maintain; and the existence of numbers of small producers, whose very livelihood depends upon their obtaining a small share of export business, makes inevitably for reckless price cutting. Indeed, it is probable that restrictive measures applied to Japanese exports in some markets have increased the fierceness of competition in others, and thus contributed to a further price reduction. Again, it should not be forgotten, pressure from overseas importers of Japanese goods has notoriously stimulated competition among Japanese exporters and forced upon them a reduction of export prices by which consumers in the importing country do not always benefit.

It will be seen, therefore, that even with good intentions it is not always easy to carry out a policy of increasing export prices. This is not to say that attempts should not be made, but to point out that market-sharing and price-fixing agreements between Japanese and foreign export industries, if they are to be made, will often require laborious and extensive negotiation, first within each industry and then between the industries themselves.

International Trade Problems.—Japanese competition has naturally raised a number of difficult questions in the commercial relations of Japan with other countries. In many cases a solution has been sought in unilateral action by importing countries, such action taking the form of tariff increases or other restrictive measures designed to limit the quantities of goods imported from Japan. It is stated that since the beginning of 1932 more than 20 countries have, by one method or another, taken action of this kind.

In other cases an attempt has been made to reach bilateral agreements reconciling the interests of both parties. In this category fall the Indo-Japanese treaty negotiations in 1933, resulting in the conclusion of a new Indo-Japanese Convention and Protocol (initialled at New Delhi on 19th April, 1934). As a result of these negotiations, the Japanese Government agreed to limit the export of Japanese cotton textiles to India to a maximum of 400 million yards per annum for three years, in exchange for purchases by Japan of $1\frac{1}{2}$ million bales of Indian raw cotton per annum. The arrangements made to carry out this agreement appear to have worked satisfactorily, and the Convention, with its subsidiary

undertakings, may be said to have solved for the time being the question of Japanese competition in India in the cotton trade. The Convention was not signed in London until 12th July, 1934; but it was in effect operative from the beginning of the year.

Negotiations of a similar kind took place during 1934 at Batavia between the Government of the Netherlands East Indies and an official delegation representing the Japanese Government. The aim of the Dutch authorities was to redress the heavy balance of trade against the Netherlands Indies by limiting Japanese imports and by increasing the export to Japan of the products of the islands, especially sugar. They wished at the same time to recover for Dutch shipping some of the trade in Far Eastern waters which has been lost to Japanese shipping companies. Finally—and this was a somewhat special feature of the agenda—they desired to limit the amount of import trade handled by Japanese merchants resident in the Indies. This conference lasted for six months, and was adjourned *sine die* at the end of 1934, without any definite results having been achieved. Discussions on the shipping question which took place in Kobe between private Dutch and Japanese shipping interests were also discontinued.

Informal conversations have also been held between the Japanese Government and the Governments of certain countries which sell to Japan more than they buy from her, the object of the Japanese Government being, it is stated, to approach as near as possible to a balance of imports and exports with such countries. Thus, as between Japan and Canada, it is argued that Japan's purchases being greater than her sales, Canada should endeavour to import more Japanese products, or at least to moderate tariff measures which operate against imports from Japan. Similarly, the Japanese Government contend, Japan's important purchases of raw wool and other Australian produce justify her in requesting favourable terms of admission into Australia for Japanese manufactures. It is obvious, however, that a policy of balancing trade as between pairs of countries would, if logically pursued, very greatly reduce international trade; and the attitude of the Japanese Government in this matter is no doubt to be interpreted as providing rather an argument for special cases than a basis for trade relations in general.

A number of discussions have taken place which, while not amounting to inter-governmental negotiations, were conducted between industrialists of both countries with the approval and assistance of the Governments concerned. Probably the most important of these was the discussion held in London early in 1934 between representatives of the textile industries of the United Kingdom and Japan. The United Kingdom representatives desired to negotiate a limitation of Japanese exports of textiles to all countries

(except India), but the Japanese representatives were unwilling to discuss markets other than the United Kingdom and the Crown Colonies. Agreement on this fundamental question was found impossible, and negotiations were broken off on March 14, 1934. As there thus seemed to be no prospect of a settlement by negotiation, H.M. Government informed the Japanese Government on May 3rd that action would be taken to limit Japanese trade with the Colonies, and that in the United Kingdom the import duties on silk would be revised. A quota system was subsequently enforced in certain colonies.

Although these "cotton talks" did not produce any concrete results, they had no doubt a salutary effect in making clear to each side the position of both. Other Anglo-Japanese deliberations on trade matters have led to more tangible results. On a smaller scale than the textile discussions, but important as an example of settlement without recourse to governmental action, was the arrangement, enforced from September 1934, by which the export of electric light bulbs from Japan to the United Kingdom was restricted in quantity. This kind of restriction is facilitated in Japan by the existence of controlling organisations in the shape of export guilds either already formed or readily constituted *ad hoc*; and as a method of arranging the limitation of imports it has commended itself in a number of cases to the governments concerned, since it achieves its object without resort to tariff measures or other legislative action. It is a method which has been applied in a number of cases since 1931, and is at present operating in respect of exports to one or more markets of over 20 commodities, including tinned fish, hosiery, pottery and porcelain, beer, pencils, cycles, matches, and certain textiles. Control is enforced by the export guild or similar association, and not directly by the Japanese Government, which exercises only a general supervision.

Of a more general nature than the above-described efforts to settle trade differences was the despatch of private or official missions from or to Japan, with the object of reaching mutual understanding of trade problems rather than adjusting specific trade differences. Prominent among these was the mission despatched to Japan under the leadership of Lord Barnby by the Federation of British Industries in October, 1934. This mission's aims were (1) to develop friendly relations with Japan in order if possible to lessen Anglo-Japanese trade competition and promote industrial co-operation (2) to investigate the possibility of trade with Manchuria. As a purely commercial mission it was beyond doubt highly successful in establishing friendly relations with Japanese officials and business men. The visit has resulted in the formation of committees in Tokyo and London which are "to co-operate in

the discussion and study of various problems relating to the promotion and regulation of trade between Japan and Great Britain"; and it is hoped that these committees will contribute to the harmonious solution of Anglo-Japanese trade problems on the basis of frank consultation between the business interests concerned. The Report of the mission, issued in London on December 20th, 1934, contained suggestions as to possible forms of co-operation between British and Japanese industry to which reference has already been made in foregoing sections.

The Australian Eastern Mission headed by Mr. Latham, Deputy Prime Minister of Australia, though not primarily concerned with the question of trade competition, investigated the trade relations between Japan and Australia and made recommendations on various points to the Commonwealth Government.

Japanese commercial missions despatched to foreign countries, whether official or private, have generally been concerned primarily with the promotion of Japanese export trade, but to achieve this object it has, of course, usually been necessary for them to investigate, and so far as possible to suggest ways of meeting, the requirements of the purchasing country. In such cases the Japanese Government endeavours in principle to increase Japanese purchases from countries which buy Japanese goods in important quantities. In practice this policy is beset with difficulties for the simple reason that Japanese importers, like other business men, naturally buy in the markets which offer them the most suitable products at the most suitable price; and attempts to divert trade from its normal channels as a rule involve sacrifices which are resisted by those expected to make them. In one case, however, as the result of recommendations made by a special Japanese Trade Commissioner, the Japanese authorities devised a method of reconciling the interests of exporters and importers. Pressed by H.M. Government in the Union of South Africa to balance their increasing exports to the Union by purchasing more Union produce, they induced the Japan Woollen Industries Association to take an additional 12,000 bales of wool from the Union, and arranged with the exporters who profit by the export trade to the Union that they should between them bear half the extra cost (of about 24 yen a bale) which is the difference in price between Union-grown wool and Australian wool landed in Japan. This contribution is levied by means of a surcharge on the freight charged to shippers of goods from Japan to the Union. So far, and not without difficulties, this scheme has resulted in only a moderate increase in the purchase of wool from the Union; but it is understood that the arrangement may be extended to cover a greater amount.

It will be seen from the foregoing summary that, as has been already suggested above, though palliative measures have been

applied, no fundamental solution has yet been found for the problems raised by Japanese competition.

The Promotion of Foreign Trade.—It is perhaps worth while to point out once more that the amount of direct pecuniary assistance given by the State to the industry and trade of Japan is much less than has usually been supposed. Some figures bearing on this question have been given above, and here it is necessary only to repeat that financial subsidies to export trade are quantitatively speaking almost insignificant. But it is highly probable that government assistance in other forms, combined with modest but well-directed pecuniary aid, has in past years contributed much to the development of foreign trade.

The principal forms taken by governmental encouragement of export trade were outlined in the last report in this series. They may be here summarized as follows :—

(1) *Industrial Guilds.*—These guilds, though not confined to export industries, contribute to the development of export trade, since small industrialists play an important part in the production of export goods. Industrial guilds are encouraged and assisted by the Government because small industrialists, while numerically important, are as a rule lacking in capital resources and technical equipment. The object of the guilds is to diminish these shortcomings by co-operative methods of purchase, production and sale. Direct Government contributions to the expenses of Industrial Guilds are inconsiderable, being usually confined to grants made upon formation. Thus the highest annual subsidy recorded was 299,500 yen for 15 guilds in 1927, the lowest 41,200 yen for two guilds in 1933. Other forms of assistance given are certain not very considerable tax exemptions enjoyed by the guilds (not by the constituent producers) and the advance of funds by banks at low interest under qualified government guarantee. The latter privilege is not so valuable as it may appear because the conditions attached to loans are somewhat exacting, and in practice the guilds do not always avail themselves of it fully. Thus in 1933 a sum of 1,000,000 yen was allocated, but only 720,000 yen was borrowed. Protection against competition from non-members may, if the Government deems it necessary, be afforded by ordering non-members to conform to the regulations of the appropriate guild.

(2) *Export Guilds.*—The function of these guilds is to promote export trade by co-operative effort, to carry out or supervise the inspection, packing, etc. of export goods, and where necessary to act as the medium by which the Government exercises control of exports. Export guilds, like Industrial guilds, receive assistance from the Government in the form of money grants, tax exemptions, and low-interest funds; but here again the amounts are modest and the guilds do not make much use of the loan facilities at their disposal. Recently the Export guilds have played an increasingly important part in a campaign for the expansion of export trade, by despatching agents or missions to foreign countries where they investigate markets and advertise Japanese goods by means of "sample fairs," exhibitions, commercial museums, etc. Japanese "trade missions" of this kind having attracted considerable attention in foreign markets, some account of their activities is given separately below.

(3) *Exports Credits.*—The Export Indemnity Law of 1930 sets up a system analogous to the Export Credit Scheme introduced by H.M. Government by which exporters may be partly reimbursed for losses incurred through non-payment of drafts or promissory notes covering shipments to designated new or hazardous markets. This system appears to have been well utilized.

Although these and other forms of official aid and encouragement have, no doubt, accelerated the expansion of Japan's foreign trade, it would be rash to assume without further evidence that they have been more than a minor contributory cause of that expansion; and it would be unwise to conclude that methods which have proved effective in Japan must necessarily be successful if applied elsewhere. The industrial guilds and the export guilds and the whole system of official control of their activities have grown up in response to social and economic conditions peculiar to Japan, and in one sense they may be regarded as remedies for the disadvantages of immature industrial development. Perhaps they are less instructive as models than as a manifestation of the traditional Japanese capacity for sustained corporate effort.

(4) *Commercial Missions.*—Apart from the despatch of officials at public expense to discuss trade problems with the Governments or the industrialists of foreign countries, a great number and variety of commercial missions have been sent abroad from Japan in the last two years with the object of investigating present markets or developing new ones. Formally constituted missions have not been so numerous as press statements would lead one to suppose, since journeys which would be normally undertaken by representatives of export firms are frequently given by newspapers and tourist agencies undeserved publicity as visits of "special investigators," "trade envoys," etc. But a fair number of parties which might properly be described as commercial missions left Japan in 1933 and 1934. The following does not pretend to be a complete list, but gives some idea of the nature and destinations of these travelling groups:—

To Central and South America and West Africa. Sponsored by Japan Export Association. Textiles and sundry goods. (Autumn, 1933).

To South America. Representatives of leading cotton and rayon firms. Sponsored by Japan Cotton Textiles Export Association, Osaka. (Autumn, 1933).

To Africa (Egypt, Morocco, Senegal, Nigeria, Cameroons, Congo, Angola and Union of South Africa). Sponsored by a group of export firms, but receiving grant towards expenses from Ministry of Commerce. (Autumn, 1933—Spring, 1934).

To Levant Fair, Palestine. Sponsored by Near Eastern Trading Association. (Spring, 1934).

To Malaya, India, Europe. A journalistic venture, described as "World Market Inspection Tour," sponsored by the Osaka Mainichi newspaper. Fifteen members. (Spring, 1934).

To Siam and Malaya. Sponsored by Toilet Articles Exporters Guild. Toilet articles and sundry goods. (October, 1934).

To Persia, Iraq, Syria, Turkey, Georgia. Sponsored by Japan Cotton Textiles Exporters Association. (November, 1934).

To India and Near East. Sponsored by Federation of Exporters Association. Sample fair. Rayon and cotton tissues. (November, 1934).

To India, Persia, Balkans, Africa. One representative, sent by the above Federation. Pearls and glass beads. (December, 1934).

To Balkans, Near East, Iraq. One representative. Sent by above Federation. Miscellaneous goods. (December, 1934).

Some of these missions receive a small grant towards travelling expenses from the local or central authorities. Others are aided by the associations to which they belong, and others again are financed by firms or groups of firms

on whose behalf they travel. It is probably safe to say that the missions which have enjoyed the most publicity have not always produced the best results, and the most valuable pioneer work is done by travellers who set out for their own employers.

The Distribution of Foreign Trade.—Mention has been made above of the spread of Japanese exports over a widening range of markets, and for further details on this point the reader is referred to Appendix No. VI, which gives the world distribution of Japan's foreign trade. These figures speak for themselves, and the following observations are confined to certain features of Japanese foreign trade which are of particular interest.

Trade with the United Kingdom.—Details of the principal imports and exports are given in Appendix No. III and Appendix No. IV. Japan sold to the United Kingdom in 1933 and 1934 more than she bought from her. The figures for the past three years are :—

	1934. Million yen.	1933. Million yen.	1932. Million yen.
Exports to United Kingdom ...	109	88	60
Imports from United Kingdom	70	82	79

There is also a considerable export to the United Kingdom of tinned salmon and crab direct from Soviet Union waters by Japanese fishery enterprises, valued at 21 million yen in 1934, which does not appear in official trade returns.

Trade with the British Empire.—Statistics of trade between Japan and British Dominions and Colonies are given in Appendix No. V. These, though they do not include all British territories, are sufficient to show that Japan buys from the British Empire as a whole more than she sells to it. Of the total of Japanese imports in 1934, about 30 per cent. were from the British territories named, and of the total of Japanese exports in 1934 about 24 per cent. were destined for those territories.

Trade with China.—Ten years ago Japan's exports to China came only second in importance to the exports (consisting chiefly of raw silk) to the U.S.A., but the statistics of 1934 reveal an interesting change :—

	1925. Million yen.	1934. Million yen.
Exports from Japan to :—		
China, including Manchuria, Kwantung Leased Territory and Hongkong	644	554
U.S.A.	1,006	399
Total, China and U.S.A.	1,650	953
Percentage of total exports	71 per cent.	43½ per cent.

This means that what were once the two leading markets have lost their relative importance. It has already been explained that the decrease in the value of exports to the U.S.A. is due to a

fall in raw silk prices. Trade with China has fallen for a variety of reasons, among which are a decrease in Chinese purchasing power, an advance of manufacturing industry in China, and probably some sporadic boycotts or similar movements. The decrease in exports to China Proper, as distinct from exports to Manchuria, the Kwantung Leased Territory, and Hongkong, has been to some extent made good by greater activity in trade with Manchuria either direct or through the Kwantung Leased Territory; but it remains true that the China market has on the whole languished, and difficulties encountered there are no doubt in some measure responsible for the pressure of Japanese exports on markets in other countries. By reason of its geographical and cultural propinquity China is so often spoken of as the natural market for Japanese manufactured products that it is somewhat surprising to find 1934 exports to British India valued at 238 million yen, whereas exports to what is described as China in the Japanese trade returns were only 117 million yen, a figure easily exceeded by the European market (228 million yen), the African market (182 million yen) and, not to speak of continents, the Dutch East Indies (158 million yen).

Trade with Manchuria.—The total volume of trade between Japan and Manchuria is difficult to estimate, for several reasons, and no attempt can be made here to predict its future proportions. Official returns give the following figures of trade with Japan:—

	1934.	
	<i>Exports from Japan.</i> <i>Million yen.</i>	<i>Imports by Japan.</i> <i>Million yen.</i>
Manchuria	107	164
Kwantung Leased Territory	296	27
Total 1934	403	191
Total 1933	303	168

Trade with Central and South American countries.—The value of exports to these countries is perhaps not of the first importance, but the rate of increase has been notable:—

	1932.	1933.	1934.
	<i>Million yen.</i>	<i>Million yen.</i>	<i>Million yen.</i>
Exports from Japan to:—			
Central America	5	16	43
South America	13	30	61

IV.—TRANSPORT AND COMMUNICATIONS.

Roads.—Further progress has been made during 1933 and 1934 in widening and surfacing streets and roads in and around the cities and in many parts of the provinces, but Japan is still a long way from having a network of surfaced highways suitable for motor traffic. Even between the capital and the great industrial area

centred round Osaka there is no first class highway as yet, nor is there any continuous surfaced road on which one can travel from the capital to the north of Japan. Meanwhile motor traffic increases and there is much congestion on the surfaced roads that exist.

The following are official statistics of the numbers of motor vehicles in use in Japan Proper at 31st October, 1934 :—

Private passenger cars	...	8,559
Buses and taxis	... ..	59,010
Trucks	... ..	38,199
Motor road-rollers	... ..	223
Motor tractors	... ..	208
Motor cycles...	... ..	15,883
Motor tricycles	... ..	11,753

Good progress has been made throughout the country in traffic control, by the use of hand-operated and electric signalling apparatus, and in Tokyo Prefecture in 1934 the use of direction indicators on cars was made compulsory. Silence regulations were also introduced, prohibiting the use of klaxon horns, and after a three days preliminary test, Tokyo was changed overnight from a distressingly noisy city to one in which motor traffic is now comfortably silent.

Railways.—Lines in operation and projected at the end of November, 1934, were as follows :—

Government Railways :—

		<i>In operation.</i>	<i>Projected.</i>
		<i>(in kilometres).</i>	
Steam	... ..	15,791	2,507
Electric	... ..	550	95
Total	... ..	16,341	

Private Railways :—

Steam	... ..	939	409
Electric	... ..	5,842	738
Other (using gasoline or diesel locomotives)...		2,868	311
Total	... ..	9,649	

The large difference between the figure 5,842 (private electric lines) and the corresponding figure for 1933 (3,821) arises not from new construction only but because city electric tramways are included for the first time in the official statistics for 1934.

The tunnel under the mountains lying between Atami and Numazu which was begun in 1918, in order to provide a level route in place of the route round the mountains via Gotemba, on which the gradients are heavy, was completed in September and opened to traffic on the 1st December, 1934. Its use shortens the distance between Tokyo and Osaka by 11·7 kilometres, and makes possible a considerable saving in haulage cost and in time. The tunnel itself is 7·8 kilometres in length and cost about 25 million yen to build.

Airways.—No new air routes have been established. The existing routes are :—Tokyo—Nagoya—Osaka—Fukuoka—Urusan—Seoul—Heijo—Shingi-shu, Dairen (Japan Air Transport Company Limited); Osaka—Takamatsu—Matsuyama (Japan Air Transport Institute); Tokyo—Shimoda (Tokyo Air Transport Company); Tokyo—Niigata (Asahi Regular Aviation Society, between June and October only).

At Seoul and Dairen connection is now made with the airways in Manchuria, so that it is possible to travel by air between Japan Proper and Mukden, Harbin, and other points in Manchuria. Both in Japan Proper and in Manchuria the services are efficiently and safely run.

Only experimental flights have been made so far between Japan and Shanghai and between Japan and Formosa. Experimental flights have been made also between Nagoya and Toyama.

The number of licensed civil air craft in Japan Proper at the beginning of October, 1934, was 132 land planes and 20 sea planes.

The number of licensed pilots at the same date was 589.

The total of the appropriations in the Budgets of Japan Proper, Korea, Formosa, and the Kwantung Leased Territory in connection with civil aviation in the financial year 1933-1934 was 2,383,453 yen. For the financial year ending 31st March, 1935, the total so far approved is 1,924,037.

Shipping.—An account of the improvement of the Japanese merchant shipping fleet in 1933 and 1934 as a result of the State-aided scrap-and-build programme begun in 1932 has been given under the heading Shipbuilding and Engineering. Ten of the new diesel-engined cargo vessels of from 6,500 to 8,400 gross registered tons and from 15 to 19½ knots' speed have been placed in service between Japan and New York, for the carriage principally of raw silk, and have been so successful that trans-American railways, according to press reports, have felt the effect of this competition in the silk-carrying trade.

Increased activity in coastwise and foreign trade generally, also assisted Japanese shipowners in 1933 and 1934, and an analysis by the Research Department of the Mitsui Company of the business results of twenty shipping companies shows that whereas in the second half of 1932 their average profit on paid-up capital was only ½ per cent., it had increased in the first half of 1933 to 1½ per cent. and in the first half of 1934 to 5·2 per cent. According to official statement of receipts and payments in invisible foreign trade, income and expenditure in Japan's shipping account has been :—

	1931.	1932.	1933.
	in million yen.		
Income	166·9	181·8	228·6
Expenditure	66·2	82·1	102·9

The position as regards tonnage laid up improved as follows, according to official figures:—

	<i>Steamships.</i>	<i>Total gross registered tonnage.</i>
	<i>Number.</i>	<i>tonnage.</i>
June 1933	208	147,493
December 1934	215	67,532

and it is understood that, of the tonnage laid up in 1934, all was so old as to be not normally employable in trade.

Apart from the amounts allotted by the Government in aid of the scrap-and-build programme, the total of Government subsidies to regular shipping lines, including subsidies by the Governments of Korea, Formosa, the Kwantung Leased Territory, and the Japanese Mandated Islands, was 13,797,577 yen in 1933-34 and 13,303,142 yen in 1934-35.

Telegraphs, etc.—The only developments of note have been in radio-telephony. Radio-telephone services are now open to the public between Japan and Formosa and between Japan and Manchuria, and also between Japan and the following foreign countries:—the Philippine Islands, the Dutch East Indies, the U.S.A., Canada, Mexico, and Cuba. Rates for three-minute calls to points in these countries are as follows:—

	<i>Yen.</i>
Philippine Islands (3 zones)	35—45
Dutch East Indies (2 zones)	60—80
U.S.A. (4 zones)	90—120
Canada (4 zones)	90—120
Mexico	120
Cuba	140

Tests of public radio-telephone services between Tokyo and Berlin and between Tokyo and London* were made in 1934 and proved successful, but these services are not yet open to the public.

V.—TREATIES, TARIFFS AND LEGISLATION.

A. Treaties, Conventions, etc.—The following Treaties, Conventions, etc., affecting economic conditions were brought into effect by the Japanese Government in 1933 and 1934:—

International Protocol regarding amendments to the Convention of October 13, 1919, concerning Rules for Aerial Navigation. (Effective from May 17, 1933.)

International Conventions (three in number) dealing with laws concerning bills of exchange and promissory notes. (Effective from January 1, 1934.)

International Convention on forced labour. (Effective from November 21, 1932.)

International Conventions (three in number) dealing with laws concerning cheques. (Effective from January 1, 1934.)

Agreement for the establishment of a joint Japan-Manchukuo Communications Company in Manchukuo. (Effective from May 15, 1933.)

* This service was opened to the public on the 13th March, 1935.

International Convention for the Protection of Industrial Property. (Effective from January 1, 1935.)

Convention of Commerce and Navigation, with Turkey. (Effective from April 21, 1934.)

International Postal Convention, of March 20, 1934. (Effective from January 1, 1935.)

Agreement concerning the exchange of small money orders, with Manchukuo. (Effective from August 1, 1934.)

Convention regarding commercial relations between Japan and India. (Effective from September 14, 1934.)

Arrangement regarding reciprocal exemption from taxation of shipping profits, with Germany. (Effective from July 25, 1934.)

B. The Import Tariff.—There were no major changes in the Japanese Import Tariff in 1933 and 1934.

A duty of 5.50 yen per 100 kin was placed on the tuberous root (*Amorphophallus Rivieri*) used for preparing "Konnyaku," and a duty of 16 yen per 100 kin on the same if in the form of meal. (Effective from March 28, 1933. Tariff No. 607-3.)

A duty of 2 yen per cubic metre was placed on certain sizes of logs and cants of Douglas fir which had hitherto been free of duty. (Effective from March 28, 1933. Tariff No. 612, I, F-5, d-2.)

The item bone ash, free of duty, was added to the Tariff (March 28, 1933. Tariff No. 617-2.)

The duty of 50 sen per 100 kin on millet, other than Kaoliang, was raised on May 18, 1933 to 1 yen per 100 kin, to remain in effect (as at present notified) till March 31, 1935. (Tariff No. 17-2.)

The duty of 1 yen per 100 kin on rice and paddy was raised on November 1, 1933 to 2 yen per 100 kin, to remain in effect (as at present notified) till December 31, 1935. (Tariff No. 12.)

By Imperial Ordinance No. 275 of 1934 issued in accordance with Article 9 of the Customs Tariff Law several changes, effective from October 1, 1934, were made in the list of exemptions and refunds of import duties on materials used for manufacturing articles for export.

By Ministry of Finance Ordinance No. 33 of 1934, wooden barrels for holding whisky were added to the list of articles exempted from import duty in accordance with Article 8, section 2-b, of the Customs Tariff Law. (These are articles re-exported as containers of export goods.) (Effective from December 1, 1934.)

NOTE.—The complete Import Tariff of Japan, in English, revised and corrected by the Japanese Ministry of Finance, is published annually in book form by The Herald Press, No. 4, 1-chome, Uchisaiwai-cho, Kojimachi-ku, Tokyo, and sold at 4 yen a copy. The book contains, also, in English, the Customs Tariff Law, the Customs Law and the Regulations for its enforcement by the Customs officials, and the Law for the Adjustment of Trade and the Protection of Commerce. A copy of the latest issue of the book is available for consultation at the Department of Overseas Trade.

C. Legislation.—The following legislation affecting economic conditions in Japan came into effect in 1933 and 1934 :—

A Law (No. 20 of 1933) to amend the Industrial Guilds Law. The amendment provides for stricter official control over the members of Guilds, and lays down rules for the formation of Federations of Guilds. (Effective from June 1, 1933 in Japan Proper.)

A Rice Control Law (Law No. 24 of 1933), which extends the powers of the Central Government to regulate the supply and demand, and the price, of rice. (Effective from November 1, 1933 throughout Japanese territory.)

A Law (No. 28 of 1933) for the Control of Foreign Exchange. The main object of the Law is to prevent speculative exchange transactions. (Effective from May 1, 1933 throughout Japanese territory.)

A Law (No. 32 of 1933) to amend the Law for the Control of Silk Textiles for Export. The effect of the amendment is to extend the application of the original Law to rayon textiles for export. (Effective from January 15, 1934 in Japan Proper.)

(The original Law, No. 27 of 1927, provided for Government control of the manufacture of silk textiles for export, in respect of the quality of the textiles, and also for Government inspection of the textiles before shipment with a view to maintaining and improving the reputation of Japanese silk textiles abroad.)

A Law (No. 47 of 1933) for the Formation of the Japan Iron and Steel Manufacturing Company Limited, an amalgamation, organized by the Central Government, of the principal Iron and Steel Manufacturing Companies in Japan Proper, and having for its nucleus the Government Iron and Steel Works. (Effective from September 25, 1933 in Japan Proper.)

A Law (No. 48 of 1933) to amend the Law for the Encouragement of the Iron and Steel Manufacturing Industry. The effect of the amendment is to continue, in favour of the Japan Iron and Steel Manufacturing Company Limited, the exemption from business tax, business profits tax, and income tax, enjoyed by private iron and steel manufacturing companies previous to their amalgamation in the new Company, and to withdraw, from the new Company, the subsidies enjoyed by the private companies previous to their amalgamation with the new Company. (Effective from February 1, 1934.)

A Law (No. 58 of 1933) to amend the Coinage Law. The effect of the amendment is to alter the weight and composition of the coins of 10 sen and 5 sen denomination. Previously the weight of these was fixed at 3.75 grammes and 2.625 grammes, and their content at three parts copper and one part nickel. The Law alters the content to pure nickel, and the weight to 4 grammes and 2.8 grammes. (Effective from August 31, 1933.)

An Imperial Ordinance (No. 271 of 1933) providing that rice may not be imported into Japan except with Government permission. (Effective from October 20, 1933 in Japan Proper.)

An Ordinance of the Ministry of Communications (No. 18 of 1933) which provides that the import of foreign ships, except ships to be broken up, shall be made only under Government licence. (Effective from May 24, 1933 in Japan Proper.)

A Law (No. 26 of 1934) entitled The Petroleum Industry Law. The Law provides that the import of petroleum and the refining of petroleum shall be subject to Government permission, that importers and refiners of petroleum shall maintain stocks of petroleum, and shall not refuse to sell petroleum in their possession to the Government, and that the Government may control prices and take other measures necessary to regulate the petroleum supply and demand. (Effective from July 1, 1934 throughout Japanese territory.)

A Law (No. 36 of 1934) for the Control of Aquatic Products for Export. The Law provides that the manufacture of aquatic products for export shall be subject to Government licence, and for Government control of methods of manufacture of such products, among which are included tinned tuna, tinned mackerel and tinned bonito. (Effective from May 20, 1934 in Japan Proper.)

A Law (No. 38 of 1934) to amend the Export Guilds Law. The amendment provides for stricter official control over members of Export Guilds, and empowers the Government to alter quantities and prices of goods to be exported, if deemed necessary. (Effective from June 1, 1934 in Japan Proper.)

A Law (No. 43 of 1934) entitled The Raw Silk Export Business Law. The Law provides that persons may engage in the business of exporting raw silk only under Government licence, and only at Yokohama and Kobe. The licence shall be valid for a period of ten years from the date of issue, but may be cancelled by the competent authorities if deemed necessary in the public interest. (Effective from July 1, 1934 in Japan Proper.)

A Law (No. 44 of 1934) governing the Purchase of Gold by the Bank of Japan. The purpose of the Law is to encourage the production of gold in Japanese territory and to increase the gold holding of the Bank. In order to effect this, the Government, by assuming a liability towards the Bank of 100 million yen, enables the Bank to buy gold at a price near the world market price, i.e., at a price higher than the current price of gold in Japan. (Effective from April 6, 1934.)

A Law (No. 45 of 1934) for the Adjustment of Trade and the Protection of Commerce. The purpose of the Law is to enable the Government, without reference to the Diet, to alter import duties, or restrict or prohibit imports, if it considers that such action is rendered necessary by the action of other countries in matters of foreign trade. (Effective from May 1, 1934 throughout Japanese territory.)

An Ordinance of the Ministry of Agriculture and Forestry (No. 6 of 1934) providing that the inspection of tinned crab, tinned tuna, and frozen tuna, previously carried out by Trade Guilds, shall be carried out by Government inspectors. (Effective from May 10, 1934 in Japan Proper.)

A joint Ordinance of the Ministries of Agriculture and Forestry and Commerce and Industry providing that fresh oranges may not be exported to the United States of America or Canada unless they have passed inspection by officials of the Ministries. (Effective from October 20, 1934 in Japan Proper.) A joint Ordinance of the same Ministries providing that fresh oranges may not be exported (except to Manchuria and the Kwantung Leased Territory) except under licence from the Ministries. (Effective from November 27, 1934 in Japan Proper.)

Ordinances of the Ministry of Commerce and Industry bringing additional commodities under the provisions of the Regulations for the Control of Staple Export Commodities. The original Regulations, dated July 1928, provided that Staple Commodities for Export should be subject to inspection by the Ministry, and must reach a certain standard of quality. Commodities subject to the Regulations now are :—

1. Straw braid for the manufacture of hats.
2. Matches.
3. The following articles made of glass :—
 - Bottles
 - Tableware
 - Food containers
 - Lamp chimneys
 - Lamp shades
 - Oil containers for lamps
 - Imitation pearls
 - Beads
 - Bracelets
 - Test-tubes
 - Beakers
 - Flasks, and funnels
4. Enamelled-ware made of sheet iron.

5. The following cotton knitted goods :—
 - Underwear
 - Gloves
 - Socks and stockings
 - Mufflers
 - Cholera belts
 - Sweaters
6. Brushes.
7. Combs of celluloid, and celluloid toys exceeding 4 in. in length or diameter.
8. Lead pencils and leads for the same.
9. Cotton Textiles : various kinds including :—
 - Crepe
 - Flannel
 - Poplin
 - Sarongs
 - Satin
 - Striped cottons
 - Plain dyed cottons
 - Printed cottons, etc.
10. Artificial pearls.
11. Bicycles and parts thereof.
12. Cotton blankets, including mixtures of rayon and cotton.
13. Rubber shoes, and the uppers and soles thereof.
14. Electric bulbs.
15. Felt hats and hat bodies of felt.
16. Rubber toys and rubber sports goods.
17. Cotton towels.

The following legislation was passed during 1934, to come into effect from January 1, 1935 :—

A Law (No. 14 of 1934) for the Prevention of Unfair Trade Competition. The purpose of the Law is to enable the Japanese Government to fulfil its obligations under the International Convention for the Protection of Industrial Property, to which, as drawn up at Paris in 1883, and revised at Brussels in 1900, at Washington in 1911, and at The Hague in 1925, the Japanese Government gave notice of adherence on November 14, 1934, with effect from January 1, 1935.

A Law (No. 15 of 1934) to amend the Trade Mark Law. The purpose of this Law is to bring the Trade Mark Law into accord with the Law for the Prevention of Unfair Trade Competition.

VI.—PATENTS AND TRADE MARKS.

Complaints are sometimes made as regards the working of the Japanese Patent Bureau that :—

- (1) inventions already granted patent rights in numerous other countries are refused patent rights in Japan ;
- (2) there is excessive delay on the part of the Bureau in granting decisions on applications ;
- (3) the reasons given by the Japanese Patent Bureau for refusing patent rights and for delay in granting decisions are unsatisfactory.

Competent patent attorneys express the opinion that many applications on behalf of persons in other countries for patent rights in Japan are delayed or rejected by the Japanese Bureau because (1) applications to the Bureau naturally have to be made in the Japanese language and it is difficult to make satisfactory Japanese

translations of the technical language of the original specifications ; (2) applications contain more in Claim 1 of the application than is usual in Japan, where Claim 1 is more restricted than in other countries.

It should not be overlooked that in Japan there is a Utility Model Law as well as a Patent Law. Application for patent rights may be sometimes rejected in cases where if the application had been amended into one for utility model rights it would probably be allowed to proceed to registration. The Bureau, when rejecting an application for patent rights, frequently recommends that the application be re-made as one for utility model rights.*

Cases of unfair trade competition by Japanese merchants continue to be reported, e.g., the marking of Japanese goods in such a way as to disguise their Japanese origin and lead the purchaser into thinking that he is buying goods of European or American manufacture; the use, as trade marks, by Japanese merchants, of marks or designs belonging to other persons. Complaints are also made of sale by Japanese merchants of articles that in themselves, or in their labels and containers, are copies of articles for which a market has already been established by the efforts of other traders.

It is hoped that the Japanese Law for the Prevention of Unfair Trade Competition, which comes into force on 1st January, 1935, and which empowers Japanese courts to take action on application by the injured party, will be efficacious in decreasing unfair competition of the above kind; doubts as to the extent to which the Law, when administered, can be made efficacious, have however been expressed by the legal profession in Japan.

* Art. 1 of the Utility Model Law provides that any person who has devised a new or original industrial model of practical use relative to the construction or assembling of an article may obtain a utility model registration in respect of such model.

ANNEX I

REPORT ON ECONOMIC CONDITIONS IN FORMOSA
1933-1934.*By A. R. Ovens, His Majesty's Consul, Tamsui.*

GENERAL STATISTICS AND INFORMATION.

Area.—13,887 square miles.

Population (at close of 1933).—

Formosan Chinese	...	...	...	...	...	4,612,274
Japanese	...	...	...	...	...	257,518
Aborigines	...	...	...	...	...	146,923
Foreigners (almost wholly Chinese)	...	...	...	...	...	43,792
						<u>5,060,507</u>

Language.—Official language, Japanese. Language most in use, Chinese (Amoy dialect). English is the best-known foreign language.

Monetary Unit.—Same as in Japan.

Rate of Exchange.—Same as in Japan.

Index Number (July, 1914, equals 100).—

Wholesale prices.—July, 1932	...	...	...	...	136.28
" " " 1933	...	...	...	...	151.89
" " " 1934	...	...	...	...	143.43
Retail prices.—Statistics not available.					

Weights and Measures.—Same as in Japan.

In square measure, the "ko" is commonly used—Equivalent to 2,934 Japanese tsubo, or 2.3967 acres.

Total Imports.—

	Yen.
1932	164,497,770
1933	185,388,938
1934	215,021,701

Principal Imports (Jan.-Nov., 1934).—

	Yen.
Fertilizers	31,184,665
Cotton and silk textiles	15,616,695
Iron and steel	14,653,124
Timber	6,493,232
Motor cars, motor cycles, bicycles and parts	5,591,907
Gunny bags	5,228,689
Paper	4,028,760
Fish, dried and salted...	3,542,318
Wheat flour	3,002,070

Imports from Japan.—

	Yen.
1932	133,456,947
1933	149,912,395
1934	176,990,724

Imports from United Kingdom.—

	Yen.
1932	597,539
1933	360,405
1934 (Jan.-Oct.)	2,051,127

Imports from other principal sources.—

	1933. Yen.	1934 (10 months). Yen.
Manchukuo	16,603,571	12,849,936
China	6,671,140	5,433,104
Germany	3,391,469	3,701,555
British India	2,275,323	853,127
United States	1,840,631	1,770,434

Total Exports.—

	Yen.
1932	240,727,988
1933	248,413,329
1934	305,928,680

Principal Exports (Jan.-Nov., 1934).—

	Yen.
Sugar	109,496,683
Rice	87,437,366
Tea	8,016,688
Bananas	8,482,738
Ores	6,706,470
Alcohol	6,672,130
Pineapples, tinned	4,807,153
Hats	3,516,486

Exports to Japan.—

	Yen.
1932	222,682,738
1933	230,746,911
1934	279,410,271

Exports to United Kingdom.—

	Yen.
1932	605,372
1933	1,121,784
1934 (Jan.-Oct.)	1,691,792

Exports to other principal destinations.—

	1933. Yen.	1934 (10 months). Yen.
China	4,746,254	6,348,875
United States	4,718,739	4,218,170
Hongkong	2,130,745	2,242,661
Kwantung Province	1,624,949	2,384,186
Dutch East Indies	1,095,033	1,395,463

Railway Mileage (December, 1933).—

	Miles.
Government railways	667.9
Private railways	323.9
Total	<u>991.8</u>

INFORMATION FOR TRAVELLERS TO FORMOSA.

Best time of year for visit.—April to June or September to November.

Best Routes.—(1) Three times a week from Moji to Keelung or (2) Weekly from Hongkong, via Swatow and Amoy to Keelung.

Steamship Companies.—On first route: Osaka Shosen Kaisha or Kinkai Yusen Kaisha. Single fares: 1st class, 55·00 yen, 2nd class 37·00 yen. On second route: Osaka Shosen Kaisha. Single fares: 1st class 54·00 yen, 2nd class 36·00 yen.

Touring Arrangements and Towns to Visit.—Full particulars can best be obtained from pamphlets issued by the Japan Tourist Bureau, Taihoku. Principal towns are Taihoku, Tainan and Taichu and the important ports of Keelung and Takao.

Internal Communications.—A good railway express service (3 trains in 24 hours) is maintained between Keelung and Taihoku, and thence to Takao in the south. A portion of this line has been double tracked, and dining and sleeping cars are available. Other lines give inferior service. Transport by motor car or motor bus is usually possible, but road surfaces are often poor.

Railway fares, etc.—

	Yen.
Taihoku to Takao (1st class)	15·05
" " (2nd class)	10·40
Express supplement (1st class)	2·10
" " (2nd class)	1·40
Sleeping berth (1st class)	7·00
" " (2nd class)	3·00 or 4·50

Tram fares, etc.—

Rikisha.—About 50 sen per hour under normal conditions.

Taxis.—From 50 sen up.

Motor cars.—4 to 8 yen per hour according to class of car.

Cost of Subsistence.—The only foreign style hotel of importance is the Railway Hotel at Taihoku. Rates are:—

Special room.—15·00 yen to 16·00 yen.

Ordinary room.—3·00 yen to 9·00 yen.

Breakfast.—1·75 yen. Lunch.—3·00 yen. Dinner 3·50 yen.

Japanese Inns.—Lodging and two meals from 3·50 yen to 10 yen.

Lunch 1·70 yen to 2·50 yen.

Entertaining Expenses.—As in Japan.

Commercial Travellers, Samples, Passports, etc.—Regulations as in Japan. It should be noted that tobacco and alcohol are Government monopolies, and may not be imported without special permission.

Climatic Conditions.—The south is somewhat warmer in summer and less wet in winter than the north. White tropical clothes are in general use from May to September, and light spring suits may be worn in October, November, March and April. Ordinary winter clothes are required from December to February.

Public Holidays.—As in Japan, with the addition of June 17th and October 28th.

ECONOMIC CONDITIONS IN FORMOSA.

Finance.—The revenues of the Formosan Government have continued to expand during the period under review, and though resort to loans has been vetoed by the Central Government, the prosperity of the island has been such as to permit of due maintenance, or expansion, of expenditure upon

progressive lines, the budget being balanced without difficulty. Thus the financial position of this part of the Empire is unusually satisfactory. Revenue and Expenditure figures are as follows:—

	1933-34.	1934-35.	1935-36.
	Yen.	Yen.	Yen.
<i>Revenue</i> :—			
Ordinary	90,460,609	99,786,815	107,661,291
Extraordinary	12,418,547	10,950,468	11,319,204
	<hr/>	<hr/>	<hr/>
	102,879,156	110,737,283	118,980,495
<i>Expenditure</i> :—			
Ordinary	80,689,258	87,156,547	92,385,406
Extraordinary	22,189,898	23,580,736	26,595,089
	<hr/>	<hr/>	<hr/>
	102,879,156	110,737,283	118,980,495

While extraordinary revenues in the year 1933-34 were helped out by public loans to the amount of 5,000,000 yen, it may be noted that resort has been had to surplus funds from previous years in the two subsequent budgets, some eight to nine million yen being thus transferred in each case. Much care and forethought are expended, year by year, in the systematic initiation and encouragement of new enterprises to meet immediate or anticipated trade demands, both at home and abroad.

In the autumn of 1935 an Exhibition will be held in Taihoku to commemorate the completion of forty years of Japanese rule in Formosa. The same year will also witness the beginnings of the first large industrial undertaking built to avail itself of the supply of power generated at the newly completed hydro-electric works at Lake Candidius. This aluminium plant at Takao will undoubtedly be the forerunner of other undertakings, financed for the most part with capital from the mother country attracted by the cheap labour and electric power now available in Formosa. An immediate extension of the Lake Candidius Works is already under consideration, and there can be little doubt that the next few years will see a much increased demand for factory plant and materials of various kinds within the island. Thus the year 1935 is likely to prove a landmark in the industrial as well as in the political history of the island.

Social Conditions.—Although rapid growths of manufacturing industries within the island would appear to be imminent, Formosa is still essentially an agricultural community, the prosperity of which is bound up with the sugar and rice harvests. Heavy crops may at times bring scant profits, depending on conditions in the mother country, where these commodities are marketed almost exclusively; but in the 1932 and 1933 seasons prices have been good and harvests bountiful, and an unusually high level of prosperity among the peasant population is the result. A marked revival in the tea industry, which ranks next in importance to the two staple products already mentioned, has served, in addition, to benefit a section of the agricultural community which has passed through a number of lean years of late. The fishing and marine products industry is yet another which is developing favourably, and with nearly all lesser industries correspondingly prosperous, it is not surprising to find that currency in circulation at the close of 1934 had exceeded all previous records. At the end of November the note circulation of the Bank of Formosa stood at 54,461,000 yen, or rather more than ten million yen more than the issue twelve months before. Prices have, of course, not remained stationary during the last three years, but the upward trend has been moderate, indeed the November index figure shows a drop of three points in the last twelve months. Cases of unemployment or

of distress are seldom met with. Railway revenues show a satisfactory improvement in both passenger and goods traffic. Taxation continues reasonably low, but contributions for national defence and other patriotic causes tend to be increasingly called for. The standard of education rises somewhat slowly among the Formosan Chinese, but present standards may be regarded as sufficient for the requirements of an orderly and industrious agricultural community. The steadily increasing population of the island, however, would seem to call for many more openings in commercial, industrial, bureaucratic and educational spheres, if all Formosans are to continue to find their livelihood at home.

Trade and Industry in 1933 and 1934.—The external trade of Formosa during the past three years has been as follows:—

	1932.	1933. (in 1,000 yen).	1934.
<i>Exports to</i>			
Foreign Countries ...	18,045	17,666	26,518
Japan	222,683	230,747	279,410
Total	240,728	248,413	305,928
<i>Imports from</i>			
Foreign Countries ...	31,041	35,476	38,030
Japan	133,457	149,912	176,990
Total	164,498	185,388	215,020
<i>Total External Trade</i>			
Foreign Countries ...	49,086	53,142	64,548
Japan	356,140	380,659	456,400
Total	405,226	433,801	520,948

The above figures constitute a record in the history of Formosa's trade. It will be seen that the improvement recorded in 1933 over the previous year has been fully maintained during 1934. The ratio of excess of exports over imports shows a satisfactory tendency to expand as a whole, though foreign trade continues to result in an adverse balance, largely owing to the heavy annual imports of fertilizers. Sugar, the commercial mainstay of the island, has been somewhat less outstanding than was the case two or three years back, but decreased receipts under this head have been more than made good by increased exports of rice, the second staple product of the island. For this result the abnormal shortage in the Japanese crop is largely responsible, and there is consequently no reason to discontinue the policy, already initiated, of gradually curtailing rice cultivation in favour of sugar, jute, the castor bean and one or two other approved crops. Perhaps the most notable feature of the island's trade for the past two years has been the rapid growth in the production and export of the black, as distinct from the Oolong and Pouchong, varieties of tea. Further details are given in a subsequent section of this report. Formosan hats, paper and other, is another item which has registered steady improvement throughout the period under consideration; sales of these abroad should improve increasingly when contemplated changes in manufacturing and marketing methods have been further developed. The manufacture of jute products such as gunny bags within the island is to be extended.

Sugar.—After two seasons of restricted production, Formosa's leading article of export has resumed its customary progress, estimates for the 1934-35 crop falling only 65,000 tons below the record figures of 1931-32. There are approximately some 257,000 acres under sugar at the present time. Whether the suspension of the Japanese-Dutch commercial negotiations at Batavia

will interfere with the increased planting programme for next season remains to be seen; but in the absence of unforeseen developments, plans for an increase of from 20 to 30 thousand acres in planted area will no doubt stand. The by-products of the commodity tend to become of increasing importance, particularly with reference to the manufacture of paper, and of alcohol for fuel and other purposes. Provision is made in the new Budget (awaiting the approval of the Diet) to assist experiment and research along these lines, and to investigate the comparative mutual suitability of soils and species of cane, as available in Formosa.

Recent production figures of Formosan sugar are as follows:—

<i>Season.</i>	<i>Tons.</i>
1932-33	616,944
1933-34	628,444
1934-35 (estimated)	908,897

Exports to Japan, for the first ten months of 1934, amounted to 582,000 tons. This represented an increase of some 15,000 tons as compared with the same period in 1933, but a fall in value of over 7,000,000 yen. Exports abroad in 1933 were no more than 5,892 tons during the same months, and this further dwindled to negligible proportions in 1934. The export of molasses to Japan (10 months) was just over 9,000,000 lbs., or about one seventh of the 1933 figure. Exports to other countries have fallen away from 19½ million lbs. in 1931 to virtually nil in 1934, and there appears to be an increasing tendency to retain molasses for the manufacture of alcohol within the island. Further details regarding the production and export of industrial alcohol are to be found elsewhere in this report.

Rice.—The value of rice shipped to Japan in 1934 (10 months) reached only some 78 million yen, as compared with 109 million yen in the case of sugar. It proved sufficient, however, to entitle this cereal to second place in the list of Formosan exports, figures of which for the last three years have been as follows:—

	<i>Yen.</i>
1932	63,074,000
1933	64,627,000
1934 (10 months) ...	77,632,000

In spite of the conversion of a considerable area of rice lands to sugar cane, the 1934 season proved so favourable that production broke all records of previous years. With prices ruling high as a result of the poor harvest reaped in Japan, rice has played the leading part in ensuring the island's favourable trade balance in the past year. Further regulation, both of production and of exports, may be anticipated during 1935, as a repetition of the abnormally favourable marketing conditions of the past year cannot reasonably be looked for.

The official plan of encouraging the reduction, by a million koku or so, of the present output of rice, and the substitution thereof of other selected crops, made some progress during 1934. Sugar was chiefly favoured, and results were satisfactory, though prices obtained were lower than in the preceding season. Sweet potatoes and jute were the other principal substitute crops, an export trade with Japan in the former, for conversion into distilled spirits, having sprung into sudden activity during the past two years. Jute production is being actively encouraged in Tainan Province, but quality is still much below the competing Indian product. The castor oil plant, ramie, cotton, coffee and cinchona are examples of other commodities already being cultivated on a small or experimental scale.

Tea.—The Formosan tea industry, favoured by the cheap yen and by restricted production enforced in India, Ceylon and Java, had a most prosperous year in 1934. While Oolong and Pouchong teas, the varieties

for which Formosa has hitherto been noted, recorded only slight change in exports, when compared with 1932 and 1933, there has been quite a boom in black tea, which, in the course of one year, has forged ahead from an obscure third position to the top of the list of teas exported. Japan takes a limited quantity of good quality black tea from Formosa, but the most important markets in 1934 were Australia, the United Kingdom and the United States. As these were also leading markets for Oolong tea, it is not surprising to find that exports of that variety have suffered some contraction in quantity. Some of the black tea exported at first was of very poor quality, and regulations providing for inspection prior to export were introduced in June last. Efforts continue to be made to obtain an early rise in the average quality, rather than in the quantity, exported, it being recognized that the continuation of present demand for cheap grades at good prices is dependent upon the self-imposed restrictions in the leading tea-exporting countries, and cannot be expected to last indefinitely.

Exports to foreign countries (January-October) for the last three years have been as follows:—

	<i>(Units of 1,000 lbs. and 1,000 yen).</i>					
	1932.		1933.		1934.	
	<i>Lbs.</i>	<i>Yen.</i>	<i>Lbs.</i>	<i>Yen.</i>	<i>Lbs.</i>	<i>Yen.</i>
Oolong ...	6,606	2,359	7,091	2,368	5,182	2,467
Pouchong ...	3,162	1,409	3,808	1,430	5,160	2,202
Black ...	123	51	733	381	5,366	2,474

It may be noted that, while shipments of the first two varieties to Japan are of no importance, black tea was sold in the home market to the extent of 800,000 lbs. during the above ten months, valued at 746,000 yen. For the entire year, exports of tea to all sources will undoubtedly exceed 10,000,000 yen.

It is hoped that present exports of Oolong and Pouchong teas may at least be maintained, at any rate so long as there is no marked change in exchange conditions in the leading markets. Future progress, however, must be looked for chiefly under black tea, and efforts are being concentrated on opening up fresh markets particularly in countries which have no colonial trade of their own to safeguard. Regulations under which specified banks may be guaranteed against losses incurred in financing shipments to new or remote markets went into force in December. Markets affected include those of Persia and the U.S.S.R., with which a fair business has already been done in past years. The possibilities of Manchuria are regarded favourably, and exports in 1933 (10 months) amounted to 382,000 lbs. valued at 170,000 yen, which increased to 620,000 lbs. valued at 225,000 yen in the same period in 1934. Black tea gained largely at the expense of Pouchong in 1934, and now claims 50 per cent. of the total shipments to that market.

Camphor.—Sales of crude camphor abroad have remained fairly steady during the past two years, and amounted in 1934 (11 months) to 2,455,000 lbs. valued at 2,164,000 yen. There was virtually no export of camphor oils (including Ho oil) abroad. Exports to Japan of camphor (chiefly refined) amounted in the first 11 months of 1934 to 2,057,000 lbs., valued at 1,845,000 yen—a considerable increase on the 1933 figures. Camphor oils, during the same period, totalled 5,122,000 lbs. valued at 1,684,000 yen—a slight increase over the previous year. The United States continues to be by far the most important foreign buyer of Formosan camphor, followed by France and the United Kingdom. Small purchases have also been made during the past year by Italy and Germany.

The Formosa Monopoly Bureau bought out the Taiwan Camphor Manufacturing Company (which previously held a monopoly of the collection and preparation of the raw material) for slightly less than 3½ million yen, and took over entire control of the local industry as from July 1, 1934. It is

reported that a considerable immediate increase in the production of camphor and its by-products is contemplated, and that the study of synthetic camphor, with a view to possible participation in its manufacture at a later date, will also be undertaken. Projects to establish celluloid factories in the island have been seriously discussed, but there is some doubt if they will materialize for some time yet, opposition having apparently been met with on the part of manufacturers in Japan.

Fruits.—A considerable variety of semi-tropical fruits are grown in Formosa, but apart from the pineapple, which has already found its way to distant oversea markets, the only two of commercial importance are the orange and the banana. Both of these find a market in Japan, China and Kwantung Province, and have hopes of doing a profitable and increasing business with Manchuria. At the present time the total value of oranges exported to all destinations averages about 700,000 yen *per annum*. In the case of bananas the figures are as follows:—

	<i>Yen.</i>
1932	7,144,279
1933	8,255,810
1934 (10 months) ...	8,113,841

Ninety per cent. of shipments are to Japan.

Exports of tinned pineapple to Japan have not varied greatly during the last three years, and for the first ten months of 1934 amounted to 1,947,000 dozen valued at 4,153,000 yen. Exports to foreign markets are unimportant as yet, but distributed over many countries, notably Kwantung Province and the United States. Production could be greatly increased at short notice. Exports to the United Kingdom, in the same period of 1934, were 3,700 dozen valued at 10,468 yen, as compared with 47,350 dozen at 123,735 yen in 1933.

Mineral Ores.—Exports of ores in 1934 (11 months) totalled 125,590 tons valued at 6,706,470 yen, as against 146,430 tons at 6,144,700 yen in 1933. The Taiwan Kogyo Kaisha, the leading mining company in the island, increased its capital from 10 to 20 million yen in October, 1934, and the company is now engaged in enlarging its washing plant from a capacity of 20,000 to 60,000 tons per month, and its refinery up to a monthly capacity of 10,000 tons. The extensions are expected to be completed in 1936. The value of gold and auriferous copper ores mined by this company is stated to have amounted, in 1933, to 4,547,339 yen, and the production of 1934 is reported to be well in excess of that of the previous year. Mining of alluvial gold in the east of the island was carried on experimentally by Messrs. Mitsubishi for a year, but that corporation has now voluntarily withdrawn from the field, and the issue, to approved companies or individuals, of mining permits in respect of some forty promising claims will be proceeded with in 1935.

The production of precious metals and their ores in 1932 and 1933 has been given approximately as follows:—

	<i>1932.</i>	<i>1933.</i>
Gold	778,600 grs.	612,140 grs.
Silver	607,600	231,130
Auriferous Copper Ores ...	108,809 tons	115,700 tons

Alcohol.—Production of alcohol in 1934 is estimated at 5,900,000 gallons, being an increase of 220,000 gallons over the 1933 figures. The demand for industrial alcohol in 1934 showed a sharp increase, due to the prosperity of the celluloid and munitions industries in Japan, and the price has risen considerably.

The quantity and value of alcohol exported abroad and to Japan in the past three years were as follows:—

	<i>Gals.</i>	<i>Yen.</i>	<i>Gals.</i>	<i>Yen.</i>
1932	833,219	521,358	4,505,815	2,975,544
1933	499,819	310,954	5,144,479	5,455,367
1934 (January-November) ...	26,904	28,752	4,945,719	6,643,378

Hats.—The making of hats, particularly paper hats, has long been an important home industry in Formosa, though subject to a somewhat capricious demand from the foreign markets it supplies, much the most important of which is the United States. In 1933 and 1934 business has been comparatively good, though prices have fallen away greatly since the prosperous years of 1929 and 1931. The great bulk of the output is shipped to Kobe, and thence abroad. In addition to the paper woven variety, a small number of hats made of hemp are also produced for export. Recent figures are as follows:—

	<i>Number of Hats.</i>	<i>Value. Yen.</i>
1932	7,092,801	2,207,950
1933	10,332,062	2,574,039
1934 (11 months) ...	12,082,386	3,516,486

Coal.—The following figures, which are unofficial, show the approximate position in the Formosan coal industry in the years 1933 and 1934:—

	<i>1933. Tons.</i>	<i>1934 (Jan. to Nov.) Tons.</i>
Production	1,336,000	1,262,000
Exports abroad	184,000	141,500
Exports to Japan	146,500	88,000
Ships' Bunkers	485,000	500,000

Local consumption in 1934 is placed at 550,000 tons, the slight decrease as compared with 1933 being probably due to the commencement of production at the Lake Candidius Hydro-electric Works. There has been some curtailment of production, and prices have been well maintained, lump coal at 9.50 yen per ton being 1.00 yen higher than in 1933. Exports to foreign countries were confined entirely to South China and Hong Kong. These rose from 168,000 tons in 1932 to 184,000 tons in 1933, but dropped again to 141,500 tons in the first eleven months of 1934.

IMPORTS.

Fertilizers.—Fertilizers occupy much the most prominent position in the list of Formosan imports, and have recently been supplied about equally from Japan and from abroad. There has long been talk of establishing a plant for the manufacture of sulphate of ammonia in Formosa as soon as the requisite supply of electric power should be available. As this condition has now been fulfilled, something definite may materialize shortly; but there are difficulties to be overcome, since present supplies of chemical fertilizers are drawn chiefly from Japanese sources. The utilization of natural gas from the Shinchiku oil fields is recommended in some quarters as likely to prove cheaper than electric power. In the first eleven months of 1933 and 1934 Japan supplied 139,521 and 190,252 tons of chemical fertilizers, valued at 10,400,000 and 15,290,000 yen respectively. In the same period of eleven months foreign countries supplied fertilizers to the

value of 13,970,000 and 15,880,000 yen. In the latter case considerably more than half consisted of bean cake imported from Manchuria. The balance, consisting of ammonium sulphate, was supplied by the following countries:—

	1932. Yen.	1933. Yen.	1934. Yen.
Germany (10 months)	1,277,520	2,504,509	2,857,598
United Kingdom "	313,486	—	1,650,332
Manchuria "	13,033	802,272	855,284
China "	568,569	—	—
Total	2,172,608	3,306,781	5,363,214

Oil.—Imports of petroleum and allied products from abroad and from Japan during recent years have been as follows:—

	1932.	1933.	1934
<i>From abroad:—</i>			(11 months).
Fuel Oil (in 1,000 gallons) ...	5,459	9,320	7,547
Benzine " ...	1,493	1,347	2,321
Kerosene " ...	1,265	1,297	1,033
<i>From Japan:—</i>			(10 months).
Kerosene and Light Oil ... (in 1,000 gals.)	4,104	3,956	3,415

Production figures are not published. In 1934, output of crude oil appears to have been unprogressive, but there has probably been some advance over 1933 in benzol and kerosene production. The search for oil is being prosecuted diligently, and, where prospects are held to justify it, at considerable depth. Gas is met with comparatively near the surface, and the new budget contains provision for the erection of laboratories for the systematic study of its properties and potential uses, as met with in the Formosa oil fields. The export to Japan of carbon black amounted to 2,872,000 lbs. in 1933, and to 3,402,000 lbs. in the first ten months of 1934. Daily production is reported to average something over 8,000 lbs. at the present time, but potential output is probably considerably greater.

Formosa's direct imports of oil from abroad are derived from the United States and the Dutch East Indies exclusively. The quantity (in 1,000 gallons) and value (in 1,000 yen) of the imports of heavy oil and of benzine in recent years have been as follows during the first ten months of each year:—

	1932.		1933.		1934.	
	Amount.	Value.	Amount.	Value.	Amount.	Value.
<i>Heavy Oil:—</i>						
From Dutch East Indies ...	1,647	188	1,215	185	1,914	280
From United States ...	2,847	332	7,149	757	4,160	558
<i>Benzine:—</i>						
From Dutch East Indies ...	1,169	729	817	466	1,641	1,000
From United States ...	—	—	239	222	596	415

TRADE WITH FOREIGN COUNTRIES.

Trade with the British Empire.—Many imports from abroad, such as textiles, machinery, gunny bags, etc., are wholly or in part imported via Japan, and do not appear as foreign goods in the customs returns. Thus in addition to the considerable direct import of gunny bags and jute cloth from India, many of the gunny bags imported from Japan are manufactured from raw materials of Indian origin. Total direct trade with the

British Empire during the past three years, in so far as it is itemized in the customs returns, has been as follows:—

	1932.	1933.	1934. (10 months).
Exports (in 1,000 yen)	3,398	3,639	4,868
Imports „	2,987	3,302	3,293

The increase under exports is accounted for very largely by the prosperity of the tea industry. Imports for 1934 would have made a considerably poorer showing but for the resumption of shipments of sulphate of ammonia from the United Kingdom.

Trade with non-British Territories.—As was to be expected, the bulk of Formosa's foreign trade in the past has been done with China, imports and exports totalling 9,108,000 and 11,782,000 yen during the first ten months of 1933 and 1934 respectively. Manchuria, however, can claim first place since 1933, solely by virtue of the export of over 9 million yens' worth of bean cake in that and the following year (10 months). This bean-cake was previously classified as of Chinese origin in the customs returns. The same remark applies in the case of the soya bean, of which Formosa imported some 66,000,000 lbs. in 1934 (10 months) to the value of 2,160,000 yen. The total trade with Manchuria in 1934, to the end of October, amounted to 13,256,518 yen—some 200,000 yen less than in the same months of the previous year.

From among Formosa's other foreign customers the U.S.A. comes next in volume of trade, with the moderate totals of 5,036,000 and 5,990,000 yen for the same months of 1933 and 1934. Tea, camphor and hats are shipped from Formosa, and oil, oil-drilling machinery, tobacco, salted fish, etc., purchased, exports being considerably the larger. Germany, Kwantung Province and the Dutch East Indies come next in order of commerce.

COMMUNICATIONS.

Shipping.—The number and tonnage of vessels engaged in foreign trade which entered Formosan ports from countries other than Japan in 1932, 1933 and 1934 (10 months) were as follows:—

	Vessels.	Tonnage.
1932	1,901	2,549,079
1933	2,284	2,833,284
1934 (10 months)	2,305	2,670,979

Vessels under the Japanese flag numbered 1,056 of 2,117,712 tons in 1933, and 756 of 1,684,163 in 1934 (10 months). British shipping claimed the next largest share, with 136 vessels of 323,402 tons in 1933, and 159 vessels of 429,159 tons in the first ten months of 1934. Chinese, Dutch and German shipping came next, with 140, 28 and 17 vessels respectively.

Formosa's shipping subsidies in the fiscal year 1934-35 are stated to have totalled some 1,400,000 yen, of which 660,000 yen was allotted to the two companies responsible for the mail and passenger service between Kobe and Keelung, via Moji. Permission for a 10 per cent. rise in freight rates between Japan and Formosa was granted in the autumn, and it is understood that a reduction of not less than 100,000 yen in the subsidy paid on the above service will be enforced in the next term.

Ports and Harbours.—Much progress has been made in harbour construction work at Takao and Karenko. The latter may be completed in 1936, and accommodation will then be available for three vessels of up to 3,000 tons, in addition to a considerable number of fishing vessels. At Takao vessels up to 10,000 tons can already be accommodated. The harbour and

canal at Anping are to be considerably improved and deepened during the next three years, and works extending over nine years are to be initiated in 1935 for the enlargement of the outer harbour at Keelung.

Railways, Roads and Aerodromes.—The double-tracking of the main arterial railway is nearly completed, and it is hoped that it will be an accomplished fact by the beginning of 1936. The new railway shops at Matsuyama are also due to be opened shortly.

The construction of new roads proceeds steadily, particularly in the south, and the older roads tend to be kept in better repair as existing private bus services are gradually taken over by the Government Railways. An important project intended to meet a long standing need in Formosa's roadway system, is the construction of a bridge across the valley of the Lower Tamsui River, to duplicate the existing railway bridge near Heito, claimed to be the longest in the Far East. The work is expected to be put in hand before very long.

The new aerodrome at Taihoku is already in use as a landing ground, and hangars and other equipment will be completed in time for the inauguration of the Japan-Taiwan air service in the early months of 1936. It is further reported that plans are under consideration for the establishment of civil aerodromes at Taichu, in the centre, and at Tainan, in the south, of the island.

ANNEX II.

REPORT ON ECONOMIC CONDITIONS IN KOREA
1933-1934.

By R. L. Cowley, Acting British Consul-General, Seoul.

GENERAL STATISTICS AND INFORMATION.

Area.—220,741 square kilometres.

Population.—About 21 millions.

Language.—English generally used for foreign commercial correspondence.

Monetary unit.—Same as Japan.

Rate of Exchange.—Average rate for 1933: One yen—1s. 2 $\frac{1}{4}$ d.

Average for 11 months of 1934.—One yen—1s. 2.07d.

Current average rate.—December, 1934: One yen—1s. 2 $\frac{1}{4}$ d.

Principal weights and measures.—Same as Japan.

Index numbers (Bank of Chosen: July, 1910—100).—Wholesale prices: November, 1934—169.78. Retail prices: not available.

	1932.	1933.	1934.
Total Imports (million yen) ...	320.3	404.2	519.8
	1932.	1933.	1934.
Principal Imports (million yen)			(11 months).
Cotton piece goods ...	30.1	43.8	40.2
Fertilisers ...	7.8	11.4	20.2
Iron and steel ...	14.6	20.4	25.6
Machinery ...	9.0	12.5	17.0
Metal manufactures ...	13.6	18.0	22.4
Motor vehicles ...	3.2	4.8	8.1
Mineral oils ...	14.6	14.8	18.1
Timber ...	4.1	6.1	8.9
Wheat and flour ...	4.5	4.9	5.6
Woollen goods ...	6.4	8.5	9.3
Wearing apparel (including hats)	11.3	16.4	20.8
Boots and shoes ...	4.9	5.2	5.5
Sugar ...	7.6	5.8	5.7
Millet ...	16.0	12.8	14.5
Beans ...	3.7	4.4	5.0
Cotton, ginned ...	6.8	9.6	12.5
Cotton yarns ...	6.1	6.8	9.3
Silk tissues (including rayon) ...	13.3	18.4	21.9
Paper ...	6.9	8.6	9.6
Coal... ...	7.9	10.7	11.4
Cement ...	2.3	3.3	5.2
Tusser silk ...	8.0	9.5	5.8

	1932.	1933.	1934.
Imports from Japan (<i>million yen</i>) ...	258·6	339·8	440·3
Imports from United Kingdom (<i>million yen</i>)	1·5	1·0	1·0
Imports from other principal sources (<i>million yen</i>)			
China	3·8	5·8	7·8
Manchuria (including Leased Territory)	42·2	44·4	50·8
U.S.A.	5·1	2·2	5·1
Dutch East Indies	·6	2·1	1·4
British India	·2	·8	2·6
Germany	·8	·4	·4
Siberia	1·0	1·1	·1
Canada	·05	·5	·7
Australia	·4	·65	1·3
Total exports (<i>million yen</i>)	311·3	368·6	465·4
	1932.	1933.	1934.
Principal Exports (<i>million yen</i>)			(11 months).
Rice and Paddy	145·3	154·6	187·8
Soya Beans	20·5	19·3	15·5
Silk (including tussar)	19·4	23·2	16·2
Iron... ..	7·3	8·7	14·3
Copper	2·5	5·7	9·6
Fertilisers	18·5	22·6	23·5
Fish... ..	11·0	12·1	12·2
Timber	2·6	5·7	7·2
Cotton tissues	6·5	6·2	6·2
Cotton, ginned	3·5	6·5	6·1
Coal... ..	3·8	4·6	5·4
	1932.	1933.	1934.
Exports to Japan (<i>million yen</i>) ...	282·1	315·9	407·7
Exports to United Kingdom (<i>million yen</i>)	·003	·011	·004
Exports to other principal destina- tions (<i>million yen</i>)			
China	·9	1·6	2·0
Kwantung Leased Territory	4·3	5·0	5·1
Manchuria	22·9	40·6	48·3
U.S.A.	·4	2·7	·3
Germany	·002	·7	·002
Straits Settlements	·11	·22	·29
Hong Kong	·1	·36	·54
Egypt	·2	·5	·4
Railway Mileage—			<i>Kilometres.</i>
Government Railways ... ..	...	...	3,077
Private Railways ... ..	...	...	1,249
Total ... ..	...	...	4,326

INFORMATION FOR TRAVELLERS TO KOREA.

Time of year.—Not of importance, but July and August should, for choice, be avoided, owing to heavy rains which occasionally interrupt communications. Business men on a visit to Japan or the Far East generally are advised to include Korea, which need not add more than a few days to the time employed on the trip.

Routes to Korea.—From Shimonoseki the journey via Fusan to Seoul occupies 17 hours, or from Kobe 27-29 hours (times approximate). There are two services daily.

From Mukden through trains run to Seoul. There are four services a day, two expresses in 15 and 16 hours, the others in 21-23 hours. From Dairen the railway journey occupies 22 hours (by express, 24½ by others), changing at Suchiatun, half an hour short of Mukden. Dairen is in regular communication with Tientsin (one day), Shanghai (two days) and Shimonoseki (two days), by sea. It will be seen therefore that a visit to Korea can readily be linked up with a business tour of Japan or the Far East.

Travellers from Europe to Japan via the Siberian Railway have a choice of three routes from Harbin onwards:—(1) Vladivostock, (2) via Mukden, and Korea, (3) via Mukden and Dairen.

There is also an excellent daily air-service from Japan and from Dairen, the latter being only some four hours distant from Seoul by air. In summer Seoul is reached the same day from Tokyo, in winter there is a delay of one night. There is also a daily week-day air service between Seoul and Harbin, and passengers leaving Seoul in the morning can catch the European express the same day at Harbin.

Towns which should be visited.—Ordinarily a visit to Seoul and Chemulpo (50 minutes distant by train) will give sufficient opportunity to study conditions, but according to circumstances a few hours at Fusan or at Heijo (four or five hours from Seoul by train, one hour by air, on the way to Mukden) may be of value.

Railway fares.—First class 4·4 sen per kilometre, second class 2·8 sen per kilometre. Distances are: 280 miles (450 kilometres) from Fusan to Seoul, and 310 miles (499 kilometres) from Seoul to Antung (the border station on the way to Mukden).

Express charges are as follows:—

- Up to 300 kilometres, first class 2·00 yen; second class 1·00 yen.
- Up to 500 kilometres, first class 2·50 yen; second class 1·50 yen.
- Up to 800 kilometres, first class 3·00 yen; second class 2·00 yen.
- Up to 1,300 kilometres, first class 3·75 yen; second class 2·50 yen.
- Over 1,300 kilometres, first class 4·50 yen; second class 3·00 yen.

Sleeping berth, first class 5·00 yen and 7·00 yen; second class 3·00 yen and 4·50 yen.

Registration of luggage is free.

There are dining cars on all through trains, prices moderate.

Tips, 50 sen to one yen, according to services rendered.

Trams, taxis, etc.—There are tramways in the principal cities. The fares are cheap, but the trams are apt to be crowded.

Taxis charge 80 sen for a single journey (the driver expects a small tip).

Hotels.—The railway hotels in Fusan, Seoul, Heijo and Shingishu are all reasonably comfortable. Charges, from nine yen upwards per day (includes three meals). Add 10 per cent. to the bill for service.

Entertaining.—Any entertaining of business friends that may be required can be done at the railway hotel. Normally, lavish expenditure would not be called for.

Registration.—Commercial travellers are not required to register. Like other travellers they must carry a passport with a valid Japanese visa. Samples can be brought in without special procedure.

Special regulations.—Photography is not allowed in fortified zones, e.g., Fusan. The Authorities enforce this regulation very strictly.

There being a tobacco monopoly, only a small supply can be brought in.

Climate.—Not unlike that of Japan, but the winter is longer and more severe and the summer is shorter. The climate is drier, except in summer.

Public Holidays.—Same as in Japan, with the addition of 1st October.

Note.—In the text of this report, the terms "import" and "export" are to be taken as including trade between Japan and Korea. The term "foreign", however, is to be understood as excluding Japan.

There being no regular steamship services between Korea and Europe or America, foreign goods to and from Korea are usually transhipped at a port in Japan. For purposes of convenience, they are frequently passed through the Customs at the port of transhipment and consequently appear in the Customs returns as part of the trade between Japan and Korea. Not only, therefore, is it impossible to get statistics of the total foreign trade, but it is extremely difficult to obtain accurate information as to the volume of British and other foreign trade.

ECONOMIC CONDITIONS IN KOREA.

Finance.—The Korean Budget is expanding, as the following figures show:—

	1933-34.	1934-35.	1935-36 (Estimate).
	1,000 yen.	1,000 yen.	1,000 yen.
<i>Revenue:—</i>			
Ordinary	184,481	206,283	240,463
Extraordinary	47,457	56,696	47,885
	<u>231,938</u>	<u>262,979</u>	<u>288,348</u>
<i>Expenditure:—</i>			
Ordinary	170,085	184,100	209,645
Extraordinary	61,853	78,878	78,703
	<u>231,938</u>	<u>262,978</u>	<u>288,348</u>

The main increases in expenditure for 1934-35 were, under ordinary expenditure:—

	1,000 Yen. Increase.
Railway working expenses	4,841
Communications	913
Monopoly Bureau	2,798
Forest Administration	810
Pensions Fund	2,345

Under extraordinary expenditure:

Education subsidy	1,836
Public works subsidy	744
Encouragement of Industry subsidy	393
Expenditure on Public Works	849

The last item has since been increased by a further vote of 4,387,000 yen in the Supplementary Budget, for riparian works and repair of damage caused by floods. Expenditure on roads and railway construction, on the other hand, was reduced in 1934-35, the latter by a million yen.

Increased expenditure was made possible by additional revenue in 1934-35 from taxation (in particular, the newly instituted tax on private incomes, and excise on beer and mineral waters) and by an increase of revenue from monopolies and railways.

There was a rapid rise in the Bank of Chosen's note issue at the end of 1934 and for the first half of December there was a heavy excess issue. The increase was attributed to new industrial requirements in Manchuria, and a temporary boom in rice exports in conjunction with a general all-round improvement in trade and exceptionally large year-end demands.

On August 31st, 1934, Post Office savings amounted to 44,896,000 yen as compared with 41,182,000 yen at the same time the previous year. Depositors numbered 2,993,000 as against 2,619,000 the year before.

Trading and Industrial Conditions.—During 1933 and 1934 business conditions in Korea gradually improved so that by the end of the latter year the symptoms of a minor "inflation boom" were distinctly noticeable. The economic situation in Korea is so closely bound up with that in Japan that the two countries may now be regarded as practically an economic unit, though it still takes time for the full effects of depression and recovery occurring in Japan to be felt in Korea. The recovery in Japan which started in the middle of 1932 was followed, as cause and effect, by increased activity in industry and trade in Korea during 1933 and 1934. Korea is also beginning to feel the advantage of her geographical position which tends to make her an entrepôt for part of Japan's growing trade with Manchuria, while at the same time she is herself becoming more industrialised and manufacturing in increasing quantities some of the goods required for the Manchurian market at that market's very door. It looks as if Korea were destined to play for a time at least nearly as important a part as an industrial extension of Japan as she has played and will play as a source of raw materials, food supplies and mineral wealth, though further exploitation by Japanese capital of her natural resources may be expected to take place in the next few years on a larger scale than hitherto.

Mining, which has for years been one of Korea's chief industries, is now making great progress. The two most important gold-mining concerns are foreign-owned: they, together with the numerous smaller mines all over Korea, have been very active during the last two years and their output is rapidly rising. Not only gold but other minerals and metals mined in Korea are being produced at an accelerating pace. Large deposits of iron, magnesite and nickel have been discovered recently.

The external trade of Korea has increased remarkably during 1934; the lion's share (86 per cent.) went to Japan, while 10.5 per cent. was with Manchuria, leaving only 3.5 per cent. for the rest of the world. Direct trade between Korea and other countries has never been very large but there is a certain amount of indirect trade via Japan which is not distinguished in the returns from the rest of the trade between Japan and Korea. There is perhaps a tendency for Japan to look after more of the foreign trade of Korea, while the latter devotes her energies to the home market and Manchuria. In any case, Korean industry does not yet manufacture to any large extent for export to other destinations. The principal manufactures (with the exception of fertilisers and paper which go to Japan), viz., cotton tissues and yarns, rubber footwear, cement and sugar are all produced for and shipped to the Manchurian market. Korea, therefore, enjoys no commercial advantage from the low yen exchange, which has been such an important factor in Japan's export trade during the past two years. The goldmining industry, on the other hand, has reaped good profits from the rise in the price of gold and owes its present flourishing condition and increased output almost entirely to the combination of low exchange and low wages.

Social Conditions as Affecting Foreign Trade.—The Bank of Chosen's index figure for wholesale prices, on the basis of July, 1910, as 100, was 169.78 for November, 1934, i.e., 11.76 points above that for November, 1933, and 1.10 above the previous month's figure. No reliable index figure for wages is available, but it is believed that they have now begun to follow the upward trend of commodity prices.

The 1933 rice crop was so plentiful both in Korea and Japan that it produced a temporary glut on the market in spite of Government control. The 1934 crop was also above the average for Korea, but a better price is now obtainable owing to the failure of the crop in Japan and consequent

shortage there. It is, however, doubtful whether the Korean farmers stand to benefit as much as they should, since the merchants bought up a large part of the crop before the scarcity was felt and they, not the farmers, will profit most from the enhanced price. In some districts of Korea where the crops failed, famine conditions again prevail, and the Authorities have as usual to provide relief.

Not only rice but other agricultural products also have somewhat advanced in price. Upland cotton which fetched 46 yen per picul in December, 1933, was selling for 64 yen in November, 1934, a forty per cent. increase. This is offset by a similar rise in the price of millet—the poorer peasants' staple food—in spite of greatly increased imports of this grain from Manchuria. While better prices for produce have contributed to the improvement of business conditions, it seems unlikely that the purchasing power of the masses can have been raised permanently much above its previous low level.

Ordinary Budget expenditure for the financial years 1932-33, 1933-34 and 1934-35 shows a gradual increase. Government expenditure on public works has increased, but the amount is too small to have any marked effect on purchasing power.

Unemployment figures for June, 1933, were 134,000, a reduction of 32,000 compared with the previous year. Figures for 1934 are not yet available, but it is probable that the intensified activity in the mining industry absorbed more labour than was thrown out of work by the floods of 1934, which devastated a large area in the South; while the general improvement in business should have provided employment for most of the graduates from schools.

From the standpoint of the foreign merchant, the situation has not improved at all. Foreign trade from their point of view is gradually disappearing: three or four of the old foreign importing houses still carry on their agency business, but orders for goods are both fewer and smaller. Unlike their fellow-merchants in Japan, they have had no opportunity to change over to the export business, since the foreign export trade of Korea, apart from that with Manchuria, is practically non-existent, while the trade with Japan and Manchuria is entirely in native hands and the foreign merchant is unable to compete. In short, he is being squeezed out of existence: on the one hand by the Japanese manufacturer, who can now supply much more cheaply the same or nearly the same goods as used to be ordered from abroad; on the other hand by the Japanese merchant, who with superior organisation, connections and sales methods has in most cases a tremendous advantage, especially over a smaller foreign firm. It is the same story as in Japan, except that the foreigner in Korea has even fewer opportunities and is in a smaller way of business.

There is no big demand for any but the cheapest lines of goods. Japanese competition and the encouragement of the use of Japanese products have deprived United Kingdom manufacturers of the comparatively small share which their products, e.g., woollen and cotton goods, previously held in this market.

Trade of the Last Three Years.—The following table shows the total value of trade in the last three years:—

				1932.	1933.	1934.
Imports	(million yen)	...	...	320·3	404·2	519·8
Exports	"	...	...	311·3	368·6	465·4
Total trade	"	...	...	631·6	772·8	985·2
Excess of imports	...	...	...	9·0	35·6	54·4

The figures speak for themselves. Total trade, which had fallen to 532·3 million yen in 1931 returned to its 1930 level in 1932, with, however, an increase in exports. The excess of imports, though again rising, has kept to more moderate proportions than before the slump, and the recovery of the export trade is a healthy sign.

Foreign Trade.—The total value of foreign trade was as follows:—

	1932.	1933.	1934.
	1,000 yen.	1,000 yen.	1,000 yen.
Imports	61,686	64,368	79,527
Exports	29,210	52,773	57,674
	<hr/>	<hr/>	<hr/>
	90,896	117,141	137,201
Excess of imports	32,476	11,595	21,853

The main items having an increased value in the 1934 import returns are millet and beans from Manchuria, which account for an increase of four million yen between them: ginned cotton, which increased by over a million yen; bean cake by 2½ million; coal by 1½ million; machinery by 1,378,000 yen; leaf tobacco 2½ million; iron by one million and mineral oils by 700,000 yen. Imports of sugar and salt declined by 300,000 yen each; tussar silk by nearly 3,000,000 yen; explosives by about 200,000 yen; and pulp for paper-making by nearly 600,000 yen. Woollen goods fell off a further 16 per cent.

Sixty-four per cent. of the import trade in 1934 was with Manchuria and 10 per cent. with China. America enjoyed a better year with 6½ per cent., while the United Kingdom maintained its 1,000,000 yen's worth of business, with, however, a lower percentage—1¼—than in 1933. The British Empire as a whole follows China closely in the value of goods supplied to Korea. India supplies principally raw materials, such as cotton, sugar, leaf tobacco and maize: nearly 2,000,000 yen's worth of cotton and tobacco to the value of 450,000 yen were imported from India in 1934 (eleven months); over 1½ million yen's worth of sugar and 420,000 yen of maize were obtained from this source during 1933. Imports from the United Kingdom in 1933 included woollen goods (360,000 yen), explosives (250,000 yen), machinery (161,000 yen), iron and steel (36,000 yen). Corresponding results for 11 months of 1934 were: woollens (295,000 yen), explosives (46,000 yen), machinery (367,000 yen), iron and steel (37,000 yen). It is satisfactory to note that, in spite of the failure of woollen goods and explosives, United Kingdom manufacturers are getting a share, small though it be, of orders for new industrial requirements. Imports of sewing machines valued at over a million yen, which are about four times in quantity and value what they were in 1933, are understood to be largely of United Kingdom origin; but they do not apparently enter as direct shipments. There has recently appeared a striking increase in the volume of iron and steel scrap imported which was valued at 892,000 yen up to the end of November, 1934, the shipments during that month alone representing over one-third of the total quantity and value.

Rice Imports and Exports.—The rice crop of 1934 was estimated (second estimate) at some 16¼ million *koku* (82 million bushels) as compared with a bumper crop of over 90 million bushels the year before. The area planted was nearly 4,200,000 acres—slightly larger than in 1933. The 1934 crop is up to the average of the past five years, and, owing to the exceptionally poor harvest in Japan, the situation in Korea has improved both relatively and actually. The prices of rice and other agricultural products are at a higher level than they have been for some time, their index figures for November being generally above those of other commodities. Government control of rice exports to Japan has recently met with better success but, though stricter, is still not considered effective enough. Warehouses have

been put up and a considerable quantity of rice and paddy can now be stored in Korea. By a system of buying up supplies and subsequently releasing them by instalments as necessary, as well as by financing at low interest the long-term storage of paddy by the farmers, the Government are able to control both price and distribution to some extent.

Exports of rice and paddy, practically all to Japan, were as follows:—

	Quantity 1,000 koku.	Value 1,000 yen.
1932	7,143	145,337
1933	7,571	154,707
1934 (January to November)	8,549	187,824

Imports of rice are confined to a small quantity of inferior grades, and were as under:—

	1,000 koku.	1,000 yen.
1932	102	1,771
1933	105	1,839
1934 (January to November)	126	2,561

Consumption of rice in Korea during 1933 was 8,508,000 koku, slightly more than in the previous year. Stocks carried over in the warehouses from 1932 and 1933 respectively were 620,000 koku and 495,000 koku.

Fertilisers.—Imports of fertilisers recovered and in 1934 passed the 1930 mark with a value of over 20 million yen. The quantity is more than double what it was in 1932. In 1933 imports were valued at 11.4 million yen as against 7.8 million the previous year. The proportion of bean cake from Manchuria was nearly one-third of the total imports in both 1933 and 1934, with a value of 3,463,000 yen and 5,800,000 yen respectively, the latter being the approximate total for 11 months. The rest of the imports of fertilisers entered from or via Japan, except for a small but increasing quantity of ammonium sulphate produced in Manchuria.

The following figures are given for actual consumption in Korea of the various kinds of fertilisers during 1933 with an estimate for 1934:

	1933. Tons.	1934. Tons.
Sulphate of Ammonia	183,571	200,000
Phosphates	64,399	90,000
" Ammo-phos "	45,341	90,000
Calcium Cyanimide	19,924	26,500
Bean cake	33,984	60,000

The very considerable increase since 1932 of the consumption of all kinds of fertilisers would seem to indicate greater prosperity among the farmers, combined with success in the official campaign for the improvement of agricultural methods. Co-operative guilds have been organised, which arrange for the purchase and supply on credit of fertilisers to the farmers, and for the sale of their produce. Fertiliser prices rose at the end of 1934 and there was an increased demand for funds at low interest to accommodate the farmers. It was reported that some ten million yen were to be made available through the Industrial Bank, the Oriental Development Company and the Credit Associations.

Sulphate of ammonia to the value of 3,800,000 yen was sold abroad at low prices in 1933, mostly to America and China. Some of it went even as far as Germany, whence this commodity used to be purchased. This export has now ceased: it is said because of increased demand at home.

Production by the Chosen Nitrogenous Fertiliser Company for 1934 is estimated to be about 300,000 tons. They are reported to be now working at their full capacity of 1,200 tons daily.

5,827,000 piculs of fertilisers (340,000 tons) valued at 23,480,000 yen were exported to Japan during eleven months of 1934: an increase of 1,760,000 piculs and 6,385,000 yen compared with the same period of 1933.

Mineral Oils.—During the years 1933 and 1934 prices in Korea for all oil products were at such a low level that extremely unsatisfactory returns were secured by all the supplying companies.

The demand for all grades of kerosene, including first quality illuminating oils, greatly improved during the two years under review. Financial conditions, generally speaking, were better than in former years and the increased spending power of the people led to a more generous use of lamp oil. Apart from the illuminating oil market, consumption of kerosenes for power purposes showed a considerable increase, this being especially the case in 1934. Prices for kerosene were at their lowest towards the end of 1933, and there was actually little improvement in 1934.

Consumption in the diesel oil market showed a steady increase, particularly of oil for fishing boats. Prices during 1933 and 1934 did not vary much, but, generally speaking, prevailing selling levels were low and unattractive.

The use of fuel oil for under-boiler purposes showed some increase.

Prices for motor spirit declined during 1933 to extremely low levels, and in part this was due to competition from Soviet Union oil. Towards the end of 1933, however, the Soviet Union oil importer for Korea became bankrupt and as a consequence it was possible to improve prices somewhat in 1934. The increase in consumption of motor spirit during 1933 and 1934 was quite considerable.

There was a strong demand for all grades of motor oils during the period under review, and there has been some improvement in the offtake of high grade lubricants for motor cars.

The outstanding event during 1933 and 1934 was the enforcement of the Petroleum Industry Law which came into effect in Korea on 1st July in the latter year. Under this Law sales and import quantities for the various marketing companies came under Government control. Detailed application of the Control Law in Korea was exactly similar to that which was enacted in Japan at the same time.

During 1934 no importations of any kind of Soviet Union mineral oil occurred.

During the 2 years the import duty on motor spirit and kerosene stood at 1.08 yen per unit of 36 litres. The duty on diesel oil, which works out at from 11 to 12 yen per ton on the average, was maintained.

The following tables illustrate the foregoing notes:—

	<i>Imports from abroad.</i>						
	1932.		1933.		Jan. to Nov. 1934.		
	<i>Quantity.</i> 1,000 gal.	<i>Value.</i> 1,000 yen.	<i>Quantity.</i> 1,000 gal.	<i>Value.</i> 1,000 yen.	<i>Quantity.</i> 1,000 gal.	<i>Value.</i> 1,000 yen.	
Crude and heavy oil...	11,926	1,445	13,768	1,980	14,904	2,123	
Gasoline	4,256	1,891	5,764	2,497	5,837	2,328	
Kerosene	9,376	4,037	2,492	1,174	3,053	1,417	
Light oil	583	181	1,000	296	1,125	330	
Lubricating oil (1,000 km)	579	84.5	440	85.5	322	76	
		7,638.5		6,032.5		6,274	
		<i>Imports from Japan.</i>					
Crude and heavy oil ...	402	106	424	89	429.5	97	
Gasoline	5,159	2,616	5,531	2,967	8,039	3,877	
Kerosene	1,771	842	3,296	1,842	7,444	3,982	
Light oil	4,421	1,540	4,044	1,583	3,620	1,235	
Lubricating oil ...	19,916	1,813	22,330	2,253	25,343	2,575	
(1,000 km)							
Other (1,000 km) ...	291	29	645	77	894	89.5	
		6,946		8,808		11,855.5	
Total value ...		14,584.5		14,840.5		18,129.5	

Metals and Metal Manufactures.—The following values are given for imports coming under this head:—

	1932.	1933.	1934.
	1,000 yen.	1,000 yen.	(11 months.) 1,000 yen.
Iron and steel	14,651	20,478	22,149
Metal manufactures	13,647	18,055	22,454
Vehicles	5,941	11,132	12,823
Machinery	8,959	12,521	17,022

The fall in the yen exchange accounts for part but by no means all of the rise in value of these products. In 1933 the volume and not only the value of rails, structural steel, plates and sheets, and wire, all from Japan, was higher than in the previous year, and in 1934 there was a further quantitative increase in all these items. In the latter year all but 1½ million yens worth of iron and steel was bought from Japan, and in 1933 the proportion was even larger: the value of iron and steel imports from elsewhere being only 330,000 yen.

Foreign imports of metal manufactures improved. The principal item is sewing needles which cost 33 per cent. more for the same quantity, but larger quantities of railway construction materials, tools and nails were imported. As might be expected the foreign share of metal manufactures is pathetically small, only 145,000 yen, compared with over 22 million yen from Japan.

Imports from Japan of motor cars and parts thereof rose from 4,785,000 yen in 1933 to 8,051,000 yen in 1934. Bicycles were imported to a 25 per cent. larger amount in 1934, but purchases of railway rolling-stock were less than in the previous year. Imports of motor cars and parts from abroad amounted in 1934 to 86,000 yen: an insignificant figure but more than double that of the year before.

Imports of machinery from foreign countries for the whole year 1934 reached a value of 2,136,000 yen, an increase of 1,378,000 yen which was not entirely due to the exchange. The principal increases are for sewing machines, spinning machinery and "metal-working and wood-working machines."

Japan supplied machinery to the value of 15 million yen for the first eleven months of 1934, as compared with 11·8 million for the whole of 1933 and 8½ million in 1932.

Cotton piece goods.—Imports from abroad of cotton piece goods fell to 28,000 sq. yds. in 1933, i.e., under one-tenth of the quantity imported in 1932. The 1934 returns are worse: only 8,500 sq. yds. up to the end of November. Total consumption of cotton goods amounted to 278,418,000 sq. yds. in 1933. The proportion of Korean to Japanese production on this market is at present roughly 3 to 7; but the Korean share is expected to rise when the products of the new mills, recently opened or already under construction, arrive on the market. The few foreign goods imported are all fancy weaves: the bulk of the demand is for plain goods.

Exports of cotton goods, practically all to Manchuria, were valued in 1933 and 1934 at just over 6 million yen each year, the quantities being approximately 25 million sq. yds., gradually increasing.

Woollen Goods.—Imports of woollen piece goods were as follows:—

1932.	1933.	1934.
1,000 yen.	1,000 yen.	1,000 yen.
6,359	8,529	9,273

It is no longer true that most of these goods are of United Kingdom manufacture. On the contrary, as a result of the adverse exchange, the improvement in quality of Japanese cloth and the low costs of manufacture in Japan, United Kingdom goods have been driven out in spite of their

excellent reputation. It was inevitable that this should happen in Korea, where price is in the long run of first consideration; and, after all, though the Japanese cloth may not yet wear quite so well as the foreign article it looks much the same to the untrained eye which cannot distinguish the difference in finish. There is, however, a striking difference in the price. So the foreigner has to content himself with the small business that remains in better quality cloth, and even that may fall into the hands of the Japanese before very long. There is actually no great difference in quality between United Kingdom middle-grade goods and the Japanese best, but the former are sold at a much higher price.

In 1933 some 258,000 sq. yds. of woollen piece goods valued at 360,000 yen were imported from the United Kingdom, representing 4.2 per cent. as to value of the total imports and 3.5 per cent. by quantity. To the end of November, 1934, the corresponding figures were 232,000 sq. yds. and 295,000 yen. The balance came from Japan: 7,496,000 sq. yds. in 1933 and 335,000 sq. yds. more in the next 11 months.

Woollen and Worsted Yarns.—Imports from Japan are steadily increasing, but a small and gradually diminishing quantity is imported annually from the United Kingdom. The figures are as follows:—

	1932.		1933.		1934.	
	Quantity. 1,000 kin.	Value. 1,000 yen.	Quantity. 1,000 kin.	Value. 1,000 yen.	Quantity. 1,000 kin.	Value. 1,000 yen.
From Japan ...	286	546	482	1,099	549	1,303
From the United Kingdom.	23	71	15	43.5	11	42.5

Motor Vehicles.—The increase of over 3½ million yen in imports during 1934 is too large to be wholly accounted for by the fall of the yen: the demand is clearly improving. The number of motor vehicles in use in Korea is never published and can only be roughly guessed at as being in the neighbourhood of 10,000. Road construction, especially for strategic purposes, as in the case of the new system of roads leading to the frontier in the North, is making steady progress. But the general condition of the roads throughout the Peninsula is still unfavourable to the large-scale development of motor transport. In many country districts substantial improvement will hardly be possible until, eventually, as a result of afforestation and riparian works, the annually recurring summer floods have been brought further under control. Motoring for pleasure, as practised in Europe and America, is at present out of the question; and, even if good motor roads were available, very few Koreans could afford to buy even the cheapest cars for other than business purposes. Owner-drivers, apart from a handful of foreign residents, are, accordingly, non-existent. A few of the larger taxi-garage in Seoul run better-class North American cars.

Korea remains a cheap car market of little importance to-day, nor can much improvement be expected for several years to come. Nevertheless a considerable potential market would appear to be awaiting further road development; but so long as cheap cars can be supplied from Japan it will be well-nigh impossible for United Kingdom makers to get a share of the business.

Explosives.—Imports of explosives from abroad, which used to be considerable, have continued to decline as the following figures show:—

1932.	1933.	1934.
1,000 yen.	1,000 yen.	1,000 yen.
758	489	293

The United Kingdom supplied explosives to the value of 250,000 yen in 1933 as compared with 277,000 yen the year before, but during 1934 the

value of this trade was only 50,000 yen for eleven months. Even the foreign mines, which are large enough to rank as important customers and which formerly obtained their supplies from the United Kingdom and Germany, have lately been buying Japanese products. Imports from Japan increased notably and had reached a value of 2,958,000 yen by the end of November, 1934, compared with 1,664,000 yen and 640,000 yen for the whole of 1933 and 1932 respectively. While the demand is increasing on account of the boom in gold-mining, only certain specialities, which are required in small quantities, are now ordered from abroad.

Raw Silk.—Production has declined with the fall in raw silk prices. It amounted to about 450,000 *koku* of cocoons in 1934 as against 550,000 *koku* the year before. Of these some 20,000 *koku* were exported to Japan in 1933, and up to the end of November, 1934, 13,000 *koku*. From the remainder 340,000 piculs of raw silk were obtained in 1933 and 290,000 in 1934. There was a small export, all to Japan, amount to 18,500 piculs and 20,000 piculs, the latter figure covering 11 months only. The balance of production is woven in Korea for domestic use.

Fruit Export.—The value of fruit exports from Korea was as follows:—

Destination.	1933.			1934 (11 months).		
	<i>Apples.</i>	<i>Citrus</i>	<i>Other.</i>	<i>Apples.</i>	<i>Citrus</i>	<i>Other.</i>
	<i>fruits.</i>	<i>fruits.</i>	<i>fruits.</i>	<i>fruits.</i>	<i>fruits.</i>	<i>fruits.</i>
	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.
Manchuria	640,885	570,675	143,835	249,917	423,603	135,865
Kwantung Leased Territory	42,836	996	8,969	46,154	409	2,481
Other Foreign Countries	255,524	—	116	134,995	—	39

Yen 939,245 571,671 152,920 431,066 424,012 138,38

The apple export trade appears to have been somewhat unsuccessful in 1934. There was some talk of further trial shipments to London and elsewhere, but little has come of it, partly owing to the scarcity of available refrigerator accommodation partly also, no doubt, because local shippers spoilt their own chances in some markets by supplying fruit of inferior quality. Native apples on the local market are of good quality and cheap, and the crop is reasonably plentiful. Shipments to Japan were:—

	1932.		1933.		1934. (Jan.-Nov.)	
	<i>Piculs.</i>	<i>Yen.</i>	<i>Piculs.</i>	<i>Yen.</i>	<i>Piculs.</i>	<i>Yen.</i>
	138,233	1,288,733	124,576	1,609,080	141,348	1,677,735

Trade between Korea and Manchuria.

	1932.	1933.	1934.
Total exports from Korea (million yen) ...	22.9	40.6	48.3
Total imports into Korea (million yen) ...	39.7	40.8	45.9

It will be noticed that in 1934 there was for the first time an excess of exports.

The value of the principal commodities imported and exported during 1934 (January to November) compared with the previous year was as under:—

(Million yen)						
Imports from Manchuria.		Inc. or Dec. Per cent.	Exports to Manchuria.		Inc. or Dec. Per cent.	
Millet	15	25	Timber	6	20	
Bean cake	5.8	75	Cotton tissues	5.5	2	
Tusser silk	5.7	-29	Iron	4.2	45	
Coal	4.6	12	Sugar	2.2	10	
Soya Beans	3	25	Cement	1.7	40	
Other Beans	1.5		Cotton yarns ...	1.2	35	
Timber	1.3		Rice	1.4	-19	
Salt	1		Fish	2.3	25	
			Rubber shoes ...	1.8		

Trade is expanding rapidly and appears to have a promising future.

Railways.—Construction has been making steady progress. Six new sections, just completed, with a total length of 178 kilometres, will be opened to traffic during the next financial year, as compared with 142 kilometres during 1934-35. There are now in existence 3,077 kilometres of Government railways, and 1,249 kilometres of privately owned lines.

The line connecting the ports of Seishin and Yuki on the north-east coast with Tumen, the growing city just across the frontier, and thence with the Manchurian railway system, thus providing a new route from Japan to Hsinking (via Kirin), was opened on 1st September, 1933, and shortly afterwards handed over to the South Manchuria Railway Company. A 15 kilometre extension from Yuki to Rashin, which is to be the terminal port, is now under construction and expected to be completed by 1936.

Railway freight rates to Manchuria are higher on the new route via Korea than on the main South Manchurian line from Dairen, with the result that Seishin cannot yet hope to compete with that port for Japan's trade with Manchuria. The economic value of the new route as a link between Japan and Hsinking is still doubtful, though with the speeding-up of the goods service, it should prove a great saving of time, as the distance is much shorter:—

Osaka-Hsinking via Dairen: 2,322 kilometres.

via Seishin: 1,693 kilometres.

In the former case the sea trip is 583 kilometres longer.

The Government's scheme to buy out the private railways has made little progress owing to lack of funds. Only one such railway, 37 kilometres in length, has been purchased since the end of 1932.

The Revenue of the Government Railways in 1933-34 was 66,206,000 yen. Of this, 20,456,000 yen was derived from passengers, 21,916,000 yen from goods. Working expenses were 49,292,000 yen; profit 16,914,000 yen. Compared with the previous year, revenue, expenditure and profit all increased, by 7,196,000 yen, 2,417,000 yen and 4,779,000 yen respectively. The number of passengers carried increased also, even second class showing a slight improvement, while third class rose 8 per cent.

From April to September, 1934, goods receipts were 11.3 million yen as compared with 10.1 million yen in the corresponding period of the previous year. Still better results are expected for the last quarter of 1934.

A daily passenger through-express service is now running from Hsinking to Fusan in 28 hours via Seoul (Keijo). The time taken to Seoul is 21 hours.

New steamship lines.—Several new services have recently been established on the Japan Sea. The most important are between:—

Seishin-Vladivostok-Tsuruga: three times a month;

Osaka-Joshin: twice monthly. (O.S.K.);

Osaka—Seishin: six times a month.

All the vessels at present employed are under 3,000 tons.

Aviation.—The regular subsidised mail and passenger air service between Tokyo and Dairen via Seoul is being maintained with one plane daily each way. The number of passengers carried during 1933 further increased: it was 850 as against 794 the previous year. Complete returns for 1934 are not yet available, but passengers were evidently fewer by about 20 per cent. Passenger carrying does not seem to be a profitable side of commercial aviation in this part of the world: fares are too high for native pockets and poor folk cannot afford to be air-minded. The amount of mails carried has been maintained.

Gold mining.—The output of gold continues to increase. Official figures showed a production of over 30 million yen in 1933 and a 10 million yen increase is expected for 1934. It is generally believed, however, that the official statistics are considerably below actual production, as a large proportion of the placer gold obtained is never reported and the quantity of gold being smuggled out of the country is supposed to have reached very large dimensions. Export is of course prohibited, and the official price of gold, which was just over 11 yen per momme (3.75 grammes) at the end of 1934, is below the world market level. Small Japanese and Korean-owned mines are now very numerous and, *en masse*, productive, but there is no gold mining area for size and productivity to compare with the former Anglo-French and U.S.A. concessions, which are still foreign-owned concerns. In 1933 they produced 23 per cent. of the official total output, though these areas have been worked since 1909 and 1898 respectively.

A new gold refining company, Chosen Seiren Kabushiki Kaisha (Chosen Refining Company, Ltd.), was launched in December, 1934, with a capital of 10 million yen. Its main object is the erection and operation of refining plants in several important centres, but it intends also to go in for mining on its own account.

Other minerals.—Statistics for 1933 show a 43 per cent. increase in the production of all minerals found in Korea, of which, besides gold, the most important are:—

		<i>1,000 yen.</i>
Coal ...	565,517 metric tons, value	2,735
Anthracite ...	741,217 " " "	4,471
Iron Ore ...	258,267 " " "	1,288
Pig iron ...	163,937 " " "	5,606
Silver ...	21,865 kilogrammes ...	722
Copper ...	784,825 " ...	417
Tungsten ore	152,500 " ...	711
Molybdenum	105,191 " ...	219
Graphite ...	22,677 metric tons ...	466

The above figures are for 1933 production.

Pure magnesite, of which a large deposit was discovered near Konan in the North-East, is now being mined and shipped to Japan.

Coal consumption of Korea during 1933 was 1,900,000 tons: of this 44 per cent. was Korean coal, 30 per cent. Japanese, and 26 per cent. Manchurian and Chinese. The chief consumers were: railways 442,000 tons (Government railways 401, private railways 41); shipping 30,000 tons; factories 1,140 tons; Government offices and private houses 296,000 tons. These figures include anthracite.

Anthracite shipments to Japan in 1933 and 1934 were 468,897 and 561,574 tons, of which 71,216 and 74,918 tons respectively were produced by the Admiralty mines.

Textile Industry.—The Toyo Spinning Company opened their new mill at Chemulpo on the 1st October, 1934. It is equipped with 30,000 cotton spindles and 1,300 looms and will employ 1,200 operatives. This is the first of the big Japanese cotton spinning and weaving companies to launch out in Korea, but others will not be far behind. The Kanegafuchi Company are planning to erect several mills throughout the Peninsula, including cotton, rayon and wool spinning and weaving plants. Construction by this company of a new cotton mill at Koshu in South Zenra Province was commenced in the latter half of 1934. This mill is to be equipped with 50,000 spindles and 1,000 looms and will employ 2,500 operatives.

Electric Power.—A large hydro-electric installation is at present in course of construction on the Choshin River above Konan. When completed it will

supply power, with an output capacity of 320,000 kilowatts, to the growing industrial centre formed by the various factories of the Chosen Nitrogenous Fertiliser Company, by which the power station will be controlled. It is expected that one section of the installation will be opened by the end of 1935.

New Enterprises.—The Nitrogenous Fertiliser Company's new and projected enterprises include a magnesium metal factory under foreign supervision. A separate company has been formed in collaboration with American interests, and rights for manufacture by a patent electrolytic process have been acquired. An unlimited supply of raw material is available close at hand in the magnesite deposits mentioned above.

Besides this factory, the Fertiliser Company plans to erect by the end of 1935 two bean oil refineries, an acetic acid plant and an explosives works, and to extend their existing plant for the production of oil from lignite (by low temperature carbonisation), so as to double capacity and handle 200,000 tons a year.

Cotton Growing.—The area planted with cotton in 1934 (some 474,000 acres) was larger by 9·2 per cent. than in 1933 and the crop was estimated at 226·6 million lbs., an increase of 5·9 per cent. over the previous year. American Upland cotton now comprises 75 per cent. of the total crop.

Sheep Raising.—The Government imported the first lot (2,650) of Corriedale sheep from Australia in the spring of 1934. By further imports and breeding it is hoped to increase the sheep population, which stands at present under 8,000 (including those of mixed breed) to 100,000 in ten years. The shortage of proper pasture and fodder, however, presents a serious problem, while acclimatisation and foot-rot prevention appear to be others not yet satisfactorily solved. Wool production is, of course, in the experimental stage, and as yet a negligible quantity.

ANNEX III.

REPORT ON ECONOMIC CONDITIONS IN THE SOUTH SEA ISLANDS MANDATED TERRITORY.

The following information is taken from the Report by the Japanese Government to the League of Nations, on the administration of the South Sea Islands under Japanese Mandate, for the year 1933.

General.—The Islands are those of the Marianne, Caroline, and Marshall Groups lying between the Equator and 22 degrees North Latitude and between 130 degrees and 175 degrees East Longitude. There are more than 1,400 islands, islets, and reefs, distributed in an area extending for about 1,300 miles from North to South and about 2,700 miles from East to West. Only about 131 islands are inhabited, the total population on 1st October, 1933, being 82,252, made up as follows:—

Natives	...	...	...	...	...	49,935
Japanese	...	...	...	...	...	32,214
Europeans and Chinese	...	...	...	...	...	103

The area of the largest island, Ponape, is 375 square kilometres.

Resources.—The principal commercial products of the Islands are phosphate, copra, sugar, alcohol (from sugar), dried bonito, and shells. Phosphate is mined and prepared, as a Government undertaking, only on Angaur Island, to the extent of about 70,000 tons per annum. It is estimated that about 1,700,000 tons of phosphate can still be extracted. 677,525 piculs of sugar and 1,204,374 litres of alcohol were produced in the Islands in 1932.

Trade.—The trade of the Islands, with the exception of a very small exchange of commodities with Guam, the Gilbert Islands, Menado, and Indo-China, is with Japan Proper. The following figures show the values of exports and imports in 1932:—

<i>Exports</i>						<i>Yen.</i>
to Japan Proper	...	...	...	...	...	13,849,331
to foreign countries	...	...	...	...	...	48,857
Total						13,898,188
<i>Imports</i>						
from Japan Proper	...	...	...	...	...	6,255,137
from foreign countries	...	...	...	...	...	333,040
Total						6,588,177

<i>Principal exports:—</i>	Yen.
Sugar	9,605,000
Copra	1,173,000
Phosphate	1,081,000
Dried bonito	906,000
Alcohol	388,000
Alcoholic beverages	96,767
Shells	77,000
Pearls	35,745

<i>Principal imports:—</i>	
Rice	1,053,839
Other foodstuffs, liquour and tobacco	1,453,053
Petroleum	79,946
Textiles, clothing, etc.	848,880
Coal	187,118
Porcelain and glass	81,613
Paper and paper manufactures	90,406
Metals and metal manufactures	460,875
Machinery	462,036
Wood and wood manufactures	352,989

Finance.—The Budget of the Islands is one of the Special Accounts of the Japanese Budget, and is in charge of the Islands Administration Bureau. The settled accounts for 1932 showed a revenue of 7,953,951 yen (against an estimate of 5,014,419 yen), and an expenditure of 4,721,841 yen (against an estimate of 5,014,419 yen). The estimates for 1933 showed revenue and expenditure each at 5,628,918 yen.

Estimated revenue for 1933 included:—

	Yen.
Poll tax	98,432
Port clearance dues	3,100,460
Customs import duties	41,195
Mining tax	143

Income from Government undertakings and property,
viz.:—

Sales of phosphate	1,430,000
Posts, telegraphs, and telephones	157,299
Hospitals	95,815
Other undertakings and sales of Government property	216,003
Surplus from preceding year	489,571

Total	5,628,918
--------------	-----------

A poll tax of from 2 yen to 50 yen a head is levied on all males resident in the Islands and over 16 years of age. Port clearance dues are levied in lieu of excise duties, which are not collected in the Islands, on articles such as sugar, alcohol, alcoholic liquors, etc., which are subject to excise duty in Japan, whenever such articles are exported from the Islands to Japan. Customs import duties are levied on goods imported into the Islands from destinations other than Japanese territory, in accordance with the Japanese Customs Tariff Law.

The main items of expenditure in the 1933 Estimates were:—

	<i>Yen.</i>
General administrative expenses	946,057
Education	606,509
Public health	318,726
Law and Police	420,559
Transport and Communications	1,876,317
Assistance to Industries	923,351
Phosphate mining	423,320
Miscellaneous	114,079
Total	5,628,918

With the gradual increase of revenue in the Islands, the contribution from the Japanese Budget to the Islands Special Account was annually reduced, and was discontinued in 1932.

Communications.—Regular steamship services between the Islands and Japan Proper, and between points in the Islands, are maintained by the Nippon Yusen Kaisha and the Nanyo Boeki Kaisha, which receive Government subsidies amounting, in 1933, to 639,000 yen. Additional Inter-Island services are maintained by two other enterprises which receive subsidies amounting, in 1933, to 10,000 yen.

Telegraphic communication between the Islands and Japan Proper, and between the different Islands, is maintained principally by wireless. There is also a submarine cable between Yap and Nawa in the Loo-choo Islands which is used for communication with Japan Proper.

APPENDIX I.

PRINCIPAL IMPORTS INTO JAPAN PROPER, SHOWING PRINCIPAL SOURCES OF SUPPLY.

<i>Raw Cotton :—</i>					<i>Values in 1,000 yen.</i>		
					<i>1932.</i>	<i>1933.</i>	<i>1934.</i>
<i>From—</i>							
U.S.A.	...	...	...	...	320,752	381,656	400,919
British India	...	...	...	...	91,747	168,797	252,435
China	...	...	...	...	18,886	24,348	15,693
Egypt	...	...	...	...	15,301	19,085	39,787
Other countries	...	...	...	...	715	10,961	22,591
Total					447,401	604,847	731,425
<i>Wool :—</i>							
<i>From—</i>							
Australia	...	...	...	...	84,246	156,514	159,241
Union of South Africa	...	...	...	...	1,032	2,529	5,781
Argentina	...	...	...	...	481	2,427	7,553
United Kingdom	...	...	...	...	376	1,051	905
Other countries	...	...	...	...	1,424	1,671	12,975
Total					87,559	164,192	186,455
<i>Iron and Steel (not including Pig Iron) :—</i>							
<i>From—</i>							
United Kingdom	...	...	...	...	13,220	17,311	11,498
Germany	...	...	...	...	11,682	24,923	23,593
U.S.A.	...	...	...	...	11,651	27,658	67,830
Belgium	...	...	...	...	3,021	10,446	11,952
Sweden	...	...	...	...	1,830	3,897	4,702
Austria	...	...	...	...	910	1,776	2,560
Other countries	...	...	...	...	10,588	25,378	22,900
Total					52,902	111,389	145,035
<i>Machinery and parts thereof (not including automobiles, or dynamos and transformers, etc.) :—</i>							
<i>From—</i>							
U.S.A.	...	...	...	...	17,176	21,870	35,137
Germany	...	...	...	...	9,700	15,979	24,319
United Kingdom	...	...	...	...	12,419	12,205	15,797
France	...	...	...	...	4,448	3,423	3,325
Sweden	...	...	...	...	1,862	3,722	5,395
Switzerland	...	...	...	...	2,140	2,006	3,499
Other countries	...	...	...	...	11,073	11,654	9,241
Total					58,818	70,859	96,713
<i>Beans and Peas :—</i>							
<i>From—</i>							
Manchuria	...	...	...	...	21,076	45,342	47,610
Kwantung Leased Territory	...	...	...	...	16,464	102	125
China	...	...	...	...	2,904	2,992	2,644
British India	...	...	...	...	1,301	1,434	1,371
Other countries	...	...	...	...	324	474	218
Total					42,069	50,344	51,968

APPENDIX I—continued.

<i>Wheat :—</i>		<i>Values in 1,000 yen.</i>		
From—		<i>1932.</i>	<i>1933.</i>	<i>1934.</i>
Australia	... ..	40,058	33,887	22,033
Canada	... ..	8,762	10,243	8,120
U.S.A.	... ..	752	238	9,869
Other countries	... ..	0	16	727
Total	... ..	49,572	44,384	40,749
<i>Oil Cake :—</i>				
From—				
Manchuria	... ..	11,747	31,481	31,198
Kwantung Leased Territory	... ..	16,862	2,218	3,364
China	... ..	3,106	5,929	6,237
British India	... ..	2,048	1,184	1,033
Other countries	... ..	837	368	220
Total	... ..	34,600	41,180	42,052
<i>Timber :—</i>				
From—				
U.S.A.	... ..	20,226	23,745	20,967
Canada	... ..	7,347	7,633	9,470
Asiatic Russia	... ..	3,531	2,597	826
Dutch East Indies	... ..	681	1,610	2,152
Siam	... ..	1,000	1,240	1,013
Other countries	... ..	2,244	3,759	5,755
Total	... ..	35,029	40,584	40,183
<i>Coal :—</i>				
From—				
Manchuria	... ..	6,278	24,150	30,554
Kwantung Leased Territory	... ..	12,903	396	31
French Indo-China	... ..	4,296	6,038	7,106
China	... ..	2,719	4,104	6,818
Asiatic Russia	... ..	1,144	1,939	2,670
Other countries	... ..	18	30	14
Total	... ..	27,358	36,657	47,193
<i>Mineral Oil (not including crude oil and heavy oil) under 0.8762 S.G. :—</i>				
From—				
Dutch East Indies	... ..	14,865	15,831	18,717
U.S.A.	... ..	18,708	14,573	10,107
Other countries	... ..	3,330	4,416	4,860
Total	... ..	36,903	34,820	33,684
<i>India Rubber and Gutta Percha :—</i>				
From—				
Straits Settlements	... ..	10,060	20,499	37,818
Dutch East Indies	... ..	4,996	7,269	14,384
Other countries	... ..	932	1,917	5,136
Total	... ..	15,988	29,685	57,338

APPENDIX I—continued.

<i>Wood-Pulp:—</i>		<i>Values in 1,000 yen.</i>		
<i>From—</i>		<i>1932.</i>	<i>1933.</i>	<i>1934.</i>
Norway		4,115	7,578	10,464
U.S.A.		3,952	7,802	16,321
Canada		3,144	6,043	7,245
Sweden		1,792	3,572	7,438
Other countries		2,325	2,071	2,788
Total		15,328	27,066	44,256
<i>Pig Iron:—</i>				
<i>From—</i>				
Manchuria		4,176	18,101	18,961
British India		3,028	5,803	7,292
Kwantung Leased Territory		4,707	61	20
Sweden		36	541	26
Other countries		227	746	229
Total		12,174	25,252	26,528
<i>Oil-seeds:—</i>				
<i>From—</i>				
China		6,873	9,478	11,215
Manchuria		1,492	9,294	10,456
Dutch East Indies		2,327	2,249	2,075
British India		781	299	78
Kwantung Leased Territory		2,773	96	27
Other countries		526	1,876	1,406
Total		14,772	23,292	25,257
<i>Flax, Hemp, Jute, and other vegetable fibres:—</i>				
<i>From—</i>				
The Philippine Islands... ..		7,056	9,616	10,914
China		5,898	6,923	10,170
British India		3,669	5,400	4,884
Other countries		478	1,198	1,494
Total		17,101	23,137	27,462
<i>Ores (iron, zinc, etc.):—</i>				
<i>From—</i>				
Straits Settlements		7,284	8,820	8,743
China		4,581	4,301	6,904
British India		1,107	1,612	2,356
Dutch East Indies		79	83	1
Other countries		3,427	7,355	9,902
Total		16,478	22,171	27,806
<i>Phosphorite:—</i>				
<i>From—</i>				
Egypt		3,664	5,961	4,787
U.S.A.		2,996	2,718	3,999
Other countries		4,437	6,695	7,891
Total		11,097	15,374	16,677

APPENDIX I—continued.

<i>Automobiles and parts thereof :—</i>						<i>Values in 1,000 yen.</i>		
From—						1932.	1933.	1934.
U.S.A.	...	...	...	...	...	13,838	13,288	31,553
United Kingdom	...	...	...	...	...	470	453	402
Other countries	...	...	...	...	...	513	130	347
Total						14,821	13,871	32,302
<i>Hides and Skins :—</i>								
From—								
U.S.A.	...	...	...	...	...	3,396	4,320	6,280
China	...	...	...	...	...	2,351	4,901	5,472
Manchuria	...	...	...	...	...	182	799	704
British India	...	...	...	...	...	97	284	233
Australia	...	...	...	...	...	193	558	907
United Kingdom	...	...	...	...	...	110	223	245
Other countries	...	...	...	...	...	1,567	2,459	2,479
Total						7,896	13,544	16,320
<i>Sugar, unrefined :—</i>								
From—								
Dutch East Indies	...	...	...	...	...	3,134	12,621	9,658
Other countries	...	...	...	...	...	198	173	21
Total						3,332	12,794	9,679
<i>Lead (ingots and slabs) :—</i>								
From—								
Canada	...	...	...	...	...	4,298	5,542	7,405
U.S.A.	...	...	...	...	...	3,275	4,012	6,823
British India	...	...	...	...	...	1,866	2,012	3,049
Australia	...	...	...	...	...	323	250	580
Other countries	...	...	...	...	...	211	86	46
Total						9,973	11,902	17,903
<i>Tin (ingots and slabs) :—</i>								
From—								
Straits Settlements	...	...	...	...	...	3,794	5,330	10,613
China	...	...	...	...	...	908	1,777	2,731
Hongkong	...	...	...	...	...	674	1,739	1,281
Dutch East Indies	...	...	...	...	...	287	1,706	218
Other countries	...	...	...	...	...	293	119	474
Total						5,956	10,671	15,317
<i>Ammonium Sulphate (crude) :—</i>								
From—								
Germany	...	...	...	...	...	4,188	6,943	11,680
United Kingdom	...	...	...	...	...	2,386	1,828	1,833
Other countries	...	...	...	...	...	461	650	293
Total						7,035	9,421	13,806

APPENDIX I—continued.

<i>Synthetic dyes :—</i>					<i>Values in 1,000 yen.</i>		
From—					1932.	1933.	1934.
Germany	...	...	...	...	4,959	5,218	5,980
Switzerland	...	...	...	...	2,025	1,236	1,336
U.S.A.	...	...	...	...	1,157	882	1,116
France	...	...	...	...	631	580	574
Other countries	...	...	...	...	294	144	141
Total	...	...	...	...	9,066	8,060	9,147
<i>Woolen tissues :—</i>							
From—							
United Kingdom	...	...	...	...	8,598	6,834	5,042
Germany	...	...	...	...	1,542	297	105
Other countries	...	...	...	...	348	82	52
Total	...	...	...	...	10,488	7,213	5,199
<i>Copper (ingots and slabs) :—</i>							
From—							
U.S.A.	...	...	...	...	123	7,238	26,138
Other countries	...	...	...	...	19	238	33
Total	...	...	...	...	142	7,476	26,171
<i>Zinc (ingots, slabs and grain) :—</i>							
From—							
Canada	...	...	...	...	2,618	3,957	3,420
Australia	...	...	...	...	1,595	2,103	2,293
U.S.A.	...	...	...	...	388	825	1,352
Other countries	...	...	...	...	23	577	162
Total	...	...	...	...	4,624	7,462	7,227
<i>Dynamos, transformers, etc. :—</i>							
From—							
Germany	...	...	...	...	723	985	539
U.S.A.	...	...	...	...	593	376	398
Switzerland	...	...	...	...	197	163	97
United Kingdom	...	...	...	...	166	131	108
Other countries	...	...	...	...	76	144	167
Total	...	...	...	...	1,755	1,799	1,309

APPENDIX II.

PRINCIPAL EXPORTS FROM JAPAN PROPER, SHOWING PRINCIPAL DESTINATIONS.

Raw Silk :— To—	Values in 1,000 yen.		
	1932.	1933.	1934.
U.S.A.	360,149	355,806	239,568
United Kingdom	9,257	14,655	14,237
France	7,107	15,378	20,334
Australia	3,165	3,297	4,017
Canada	1,165	208	411
Other countries	1,523	1,557	8,227
Total	382,366	390,901	286,794
Cotton tissues :— To—			
British India	80,654	71,433	74,132
Dutch East Indies	50,229	78,273	82,828
Egypt	27,068	38,351	46,834
China	37,159	25,299	13,030
Manchuria	3,263	21,626	40,253
Kwantung Leased Territory	16,108	18,822	19,218
Straits Settlements	11,229	17,608	17,394
Australia	4,875	10,030	14,784
Siam	3,405	6,767	10,818
Argentina	3,295	6,616	13,956
Union of South Africa	5,343	5,912	4,459
Turkey	5,574	2,038	1,393
Philippine Islands	2,769	6,780	13,206
Hongkong	3,755	5,675	7,311
Other countries	33,987	67,985	132,736
Total	288,713	383,215	492,352
Silk Tissues and Artificial Silk Tissues :— To—			
British India	32,957	32,913	42,509
Australia	16,623	19,935	25,777
Dutch East Indies	14,417	15,889	14,082
Union of South Africa	5,657	8,611	10,901
Egypt	9,184	7,715	11,677
United Kingdom	4,761	8,726	11,549
U.S.A.	4,244	6,036	5,539
Straits Settlements	2,928	4,423	6,938
France	2,064	3,525	2,741
Argentina	2,174	2,549	1,413
Philippine Islands	1,911	1,057	2,091
French Indo-China	877	1,019	318
Kwantung Leased Territory	1,170	3,575	10,210
Manchuria	26	661	1,140
New Zealand	864	1,334	2,160
Other countries	10,970	22,958	41,927
Total	110,827	140,926	190,972

APPENDIX II—continued.

Tinned and bottled foods :—

To—	Values in 1,000 yen.		
	1932.	1933.	1934.
U.S.A.	8,053	17,838	11,182
United Kingdom	6,157	13,136	24,712
Kwantung Leased Territory	943	1,447	1,198
Hawaii	869	954	829
Australia	215	329	797
Manchuria	35	263	326
Other countries	6,502	13,017	11,260
Total	22,774	46,984	50,304

Knitted goods :—

To—	1932.	1933.	1934.
British India	6,699	9,628	8,350
United Kingdom	3,837	6,561	7,673
Dutch East Indies	2,525	4,235	4,339
Egypt	1,818	3,370	3,030
Union of South Africa	1,314	2,566	1,884
Philippine Islands	3,745	2,671	3,432
Manchuria	13	1,023	899
Kwantung Leased Territory	547	842	1,014
Straits Settlements	233	771	1,321
U.S.A.	510	879	1,514
Other countries	5,694	9,501	14,162
Total	26,935	42,047	47,618

Porcelain :—

To—	1932.	1933.	1934.
U.S.A.	6,441	10,180	14,314
British India	3,463	3,965	3,200
Dutch East Indies	2,414	3,729	3,168
Australia	1,768	2,707	2,331
Canada	1,317	1,399	1,508
United Kingdom	825	1,296	1,161
Kwantung Leased Territory	757	1,193	1,768
China	539	992	1,388
Holland	848	982	761
Philippine Islands	635	959	578
Straits Settlements	375	900	1,290
Manchuria	87	531	1,239
France	312	644	355
Egypt	408	439	627
Other countries	2,748	5,718	8,189
Total	22,937	35,634	41,877

Iron (bar, rod, plate, pipe, etc.) :—

To—	1932.	1933.	1934.
Kwantung Leased Territory	8,415	27,555	38,853
China	1,677	2,618	4,957
British India	252	819	1,378
Manchuria	106	651	1,842
Other countries	1,828	3,022	5,999
Total	12,278	34,665	53,029

APPENDIX II—continued.

<i>Wheat flour :—</i>					<i>Values in 1,000 yen.</i>		
To—					<i>1932.</i>	<i>1933.</i>	<i>1934.</i>
Kwantung Leased Territory	...	...	...	...	9,435	21,808	18,558
Manchuria	...	...	...	...	4,758	9,305	9,083
China	...	...	...	...	6,154	3,341	109
Other countries	...	...	...	...	192	501	702
Total	...	...	...	...	20,539	34,955	28,452

<i>Iron Manufactures (enamelled ware, nails, screws, cutlery, etc.) :—</i>							
To—							
British India	...	...	...	...	3,322	5,151	4,985
Dutch East Indies	...	...	...	...	2,575	4,366	5,055
Kwantung Leased Territory	...	...	...	...	2,663	6,059	10,108
China	...	...	...	...	1,429	1,694	2,012
Manchuria	...	...	...	...	230	1,459	1,883
Straits Settlements	...	...	...	...	345	1,187	2,246
Asiatic Russia	...	...	...	...	1,497	1,183	942
Siam	...	...	...	...	569	1,190	1,610
Philippine Islands	...	...	...	...	649	932	928
Other countries	...	...	...	...	913	3,676	5,508
Total	...	...	...	...	14,192	26,897	35,277

<i>Toys :—</i>							
To—							
U.S.A.	...	...	...	...	4,987	6,976	9,604
United Kingdom	...	...	...	...	2,288	4,054	4,605
British India	...	...	...	...	1,466	3,809	3,063
Dutch East Indies	...	...	...	...	804	1,924	1,046
Australia	...	...	...	...	861	1,812	1,766
Holland	...	...	...	...	598	1,212	1,184
Straits Settlements	...	...	...	...	446	491	642
Italy	...	...	...	...	205	485	640
Canada	...	...	...	...	508	410	627
Other countries	...	...	...	...	2,955	5,201	7,209
Total	...	...	...	...	15,118	26,374	30,386

<i>Machinery and parts thereof :—</i>							
To—							
Kwantung Leased Territory	...	...	...	...	3,954	14,197	39,429
China	...	...	...	...	3,849	4,951	9,691
Asiatic Russia	...	...	...	...	1,180	1,329	1,129
Manchuria	...	...	...	...	394	1,938	3,337
British India	...	...	...	...	900	2,105	2,273
Other countries	...	...	...	...	666	1,337	1,918
Total	...	...	...	...	10,943	25,857	57,777

APPENDIX II—continued.

Timber (sawn wood, plywood, lumber, etc.) :—

To—	Values in 1,000 yen.		
	1932.	1933.	1934.
United Kingdom	2,866	3,838	5,089
Kwantung Leased Territory	724	2,854	4,142
China	2,362	2,702	2,704
British India	1,530	1,885	1,060
Dutch East Indies	894	1,265	1,072
Union of South Africa	292	879	971
Straits Settlements	275	703	1,031
Manchuria	28	729	2,355
Other countries	2,357	3,782	5,491
Total	11,328	18,637	23,915

Paper :—

To—	1932.	1933.	1934.
Kwantung Leased Territory	3,610	6,128	6,851
China	5,122	4,786	6,153
Manchuria	312	1,287	1,934
Dutch East Indies	643	1,082	514
U.S.A.	735	943	636
British India	1,161	842	750
Hongkong	525	650	1,251
Other countries	1,913	1,969	2,561
Total	14,021	17,687	20,650

Lamps and parts thereof (electric bulbs, etc.) :—

To—	1932.	1933.	1934.
U.S.A.	4,668	3,273	3,160
Dutch East Indies	767	1,707	1,337
British India	909	1,234	1,220
Kwantung Leased Territory	568	1,024	1,154
China	637	635	456
Australia	433	607	560
Straits Settlements	123	421	470
Philippine Islands	202	414	350
Other countries	4,447	6,548	6,989
Total	12,754	15,863	15,696

Glass and glass-ware :—

To—	1932.	1933.	1934.
British India	4,106	5,507	5,474
Dutch East Indies	1,070	2,069	1,932
China	809	1,047	1,191
Philippine Islands	504	809	881
U.S.A.	492	803	1,816
Australia	358	756	832
Straits Settlements	202	618	1,042
Union of South Africa	159	450	757
Other countries	1,582	3,268	5,529
Total	9,282	15,327	19,454

APPENDIX II—continued.

<i>Cotton yarns :—</i>					<i>Values in 1,000 yen.</i>		
					<i>1932.</i>	<i>1933.</i>	<i>1934.</i>
<i>To—</i>							
British India	...	...	...	...	14,343	7,605	11,112
Manchuria	...	...	...	...	935	3,100	3,632
Dutch East Indies	...	...	...	...	1,445	1,236	1,695
Kwantung Leased Territory	...	...	...	...	670	615	513
Hongkong	...	...	...	...	1,337	292	133
Other countries	...	...	...	...	2,817	2,864	6,400
Total	...	...	...	...	21,547	15,712	23,485
 <i>Sugar, refined :—</i>							
<i>To—</i>							
Kwantung Leased Territory	...	...	...	...	4,416	6,994	4,781
China	...	...	...	...	2,655	6,158	6,990
Manchuria	...	...	...	...	335	654	1,084
Asiatic Russia	...	...	...	...	104	593	289
Other countries	...	...	...	...	287	510	387
Total	...	...	...	...	7,797	14,909	13,531
 <i>Coal :—</i>							
<i>To—</i>							
Hongkong	...	...	...	...	4,347	5,227	3,638
China	...	...	...	...	3,791	4,445	2,015
Straits Settlements	...	...	...	...	2,432	2,183	2,503
Philippine Islands	...	...	...	...	1,569	1,652	1,447
Other countries	...	...	...	...	1,311	651	772
Total	...	...	...	...	13,450	14,158	10,375
 <i>Hats, caps and bonnets :—</i>							
<i>To—</i>							
U.S.A.	...	...	...	...	3,034	4,144	4,521
Dutch East Indies	...	...	...	...	729	1,230	903
British India	...	...	...	...	899	1,181	1,587
Manchuria	...	...	...	...	6	699	803
China	...	...	...	...	194	507	968
United Kingdom	...	...	...	...	458	640	929
Kwantung Leased Territory	...	...	...	...	202	479	505
Australia	...	...	...	...	521	493	315
Other countries	...	...	...	...	1,670	4,554	7,329
Total	...	...	...	...	7,713	13,927	17,860
 <i>Woollen tissues :—</i>							
<i>To—</i>							
Kwantung Leased Territory	...	...	...	...	2,926	5,944	8,281
China	...	...	...	...	431	1,687	2,975
British India	...	...	...	...	592	1,647	8,219
Manchuria	...	...	...	...	172	1,361	1,540
Other countries	...	...	...	...	360	1,738	8,834
Total	...	...	...	...	4,481	12,377	29,849

APPENDIX II—continued.

<i>Aquatic products (not tinned or bottled) :—</i>						<i>Values in 1,000 yen.</i>		
<i>To—</i>						<i>1932.</i>	<i>1933.</i>	<i>1934.</i>
China	...	...	...	...	...	2,532	2,279	4,432
Kwantung Leased Territory	...	...	...	...	...	1,977	2,269	2,283
Hongkong	...	...	...	...	...	574	1,397	2,792
U.S.A.	...	...	...	...	...	975	1,192	1,713
Straits Settlements	...	...	...	...	...	193	893	2,640
Other countries	...	...	...	...	...	1,506	2,272	2,633
Total	...	...	...	...	...	7,757	10,302	16,473
 <i>Rubber tyres :—</i>								
<i>To—</i>								
Dutch East Indies	...	...	...	...	...	1,224	2,498	3,323
China	...	...	...	...	...	1,360	1,727	1,876
Kwantung Leased Territory	...	...	...	...	...	437	1,066	1,024
Straits Settlements	...	...	...	...	...	233	684	1,202
Other countries	...	...	...	...	...	1,124	2,864	2,570
Total	...	...	...	...	...	4,378	8,839	9,995
 <i>Tea :—</i>								
<i>To—</i>								
U.S.A.	...	...	...	...	...	4,752	5,084	4,629
Canada	...	...	...	...	...	672	722	876
Other countries	...	...	...	...	...	2,749	2,644	4,052
Total	...	...	...	...	...	8,173	8,450	9,557
 <i>Jewelry :—</i>								
<i>To—</i>								
British India	...	...	...	...	...	2,043	2,432	3,266
Australia	...	...	...	...	...	261	352	354
Philippine Islands	...	...	...	...	...	217	207	223
Other countries	...	...	...	...	...	2,914	5,377	6,243
Total	...	...	...	...	...	5,435	8,368	10,086
 <i>Vegetable Oils :—</i>								
<i>To—</i>								
U.S.A.	...	...	...	...	...	2,503	5,912	8,860
United Kingdom	...	...	...	...	...	770	511	891
Germany	...	...	...	...	...	275	415	636
France	...	...	...	...	...	234	222	272
Other countries	...	...	...	...	...	1,515	1,240	1,832
Total	...	...	...	...	...	5,297	8,300	12,291

APPENDIX II—continued.

<i>Buttons :—</i>					<i>Values in 1,000 yen.</i>		
<i>To—</i>					<i>1932.</i>	<i>1933.</i>	<i>1934.</i>
United Kingdom	...	...	...	...	1,315	1,555	1,796
British India	...	...	...	...	636	640	1,303
Germany	...	...	...	...	805	740	371
Dutch East Indies	...	...	...	...	229	461	413
China	...	...	...	...	262	408	435
U.S.A.	...	...	...	...	168	357	215
Australia	...	...	...	...	284	319	366
Spain	...	...	...	...	246	316	473
Other countries	...	...	...	...	1,928	2,953	4,276
Total	...	...	...	...	5,863	7,749	9,648
 <i>Beer :—</i>							
<i>To—</i>							
Kwantung Leased Territory	...	...	...	...	1,509	2,240	2,189
Dutch East Indies	...	...	...	...	535	1,639	225
Manchuria	...	...	...	...	383	966	993
British India	...	...	...	...	694	901	528
China	...	...	...	...	1,171	758	587
Other countries	...	...	...	...	543	1,180	1,013
Total	...	...	...	...	4,835	7,684	5,535
 <i>Cement :—</i>							
<i>To—</i>							
Kwantung Leased Territory	...	...	...	...	299	1,824	4,120
Dutch East Indies	...	...	...	...	2,600	1,369	667
Hongkong	...	...	...	...	2,047	1,214	669
British India	...	...	...	...	1,307	949	419
Straits Settlements	...	...	...	...	824	597	765
Other countries	...	...	...	...	1,469	1,441	1,398
Total	...	...	...	...	8,546	7,394	8,038

APPENDIX III.

PRINCIPAL IMPORTS INTO JAPAN PROPER FROM THE UNITED KINGDOM.

	<i>Values in 1,000 yen.</i>		
	1932.	1933.	1934.
Machinery and parts thereof including dynamos, transformers, etc., but not automobiles ...	12,585	12,338	15,905
Iron and Steel, not including pig iron ...	13,220	17,311	11,498
Woolen tissues ...	8,598	6,834	5,042
Caustic soda, soda ash, and natural soda ...	3,873	1,903	2,164
Ammonium sulphate ...	2,386	1,828	1,833
Woolen or worsted yarns ...	3,133	2,168	1,669
Wool ...	373	1,051	905
Cotton tissues ...	2,080	1,212	736
Printing paper ...	758	486	574
Automobiles and parts thereof ...	470	453	402
Leather ...	342	404	222
Aluminium (ingots, slabs, and grain) ...	353	557	141

In the case of the following, statistics for 1934 are not yet available :—

Nickel ...	3,555	6,754	—
Fire-arms and parts thereof ...	2,169	2,621	—
Explosives ...	1,897	2,094	—
Cotton yarns and threads ...	1,667	1,978	—
Photographic dry plates ...	1,187	1,280	—
Aluminium (other than ingots, slabs and grain) ...	862	1,065	—
Plate and sheet glass ...	1,123	841	—
Various drugs and chemicals ...	955	793	—
Books and periodicals ...	547	547	—
Tissues of jute, flax, etc. ...	454	481	—
Glycerine ...	868	441	—
Whisky ...	473	403	—
Fragrant volatile oils ...	369	389	—
Asbestos and manufactures thereof ...	217	326	—

The total values of imports into Japan Proper from the United Kingdom in the above years were :—

	<i>Yen.</i>
1932 ...	78,760,233
1933 ...	82,558,928
1934 ...	70,036,555

APPENDIX IV.

PRINCIPAL EXPORTS FROM JAPAN PROPER TO THE UNITED KINGDOM.

	<i>Values in 1,000 yen.</i>		
	1932.	1933.	1934.
Tinned and bottled foods	6,157	13,136	24,712
Raw Silk	9,257	14,655	14,237
Silk and artificial silk tissues	4,761	8,725	11,549
Knitted articles of clothing... ..	3,837	6,561	7,672
Beans and peas	4,521	5,481	6,223
Timber	2,866	3,838	5,089
Toys	2,288	4,054	4,605
Buttons	1,315	1,555	1,796
Porcelain	825	1,296	1,161
Straw-braid	486	745	1,064
Brushes	506	694	1,038
Hats, caps and bonnets	458	639	929
Vegetable oils	770	511	891
Peppermint oil	278	673	550
Silk handkerchiefs	300	432	544
Fish oil and whale oil	1,131	591	433
Isinglass	275	341	348
Camphor	242	252	181

In the case of the following, statistics for 1934 are not yet available :—

Cotton tissues	445	2,657	—
Electric bulbs	1,734	1,966	—
Rubber boots and shoes	2,284	1,788	—
Other footwear	1,777	1,921	—
Celluloid and manufactures thereof	778	1,399	—
Rags	440	788	—
Bristles	256	742	—
Lily bulbs	756	626	—
Table cloths	257	448	—

The total values of exports from Japan Proper to the United Kingdom in the above years were :—

	<i>Yen.</i>
1932	60,536,239
1933	87,849,073
1934	109,269,642

APPENDIX V.

TRADE BETWEEN JAPAN PROPER AND BRITISH DOMINIONS AND COLONIES.

Trade with :—	1934.	
	<i>Imports into Japan.</i>	<i>Exports from Japan.</i>
	<i>Yen.</i>	<i>Yen.</i>
Hongkong	1,481,265	33,497,371
British India	289,671,524	238,220,797
Ceylon	2,288,059	19,790,503
The Straits Settlements	63,320,291	63,320,161
State of North Borneo	7,303,883	299,866
Aden	27,381	9,353,195
Canada	54,093,620	8,666,087
British Honduras	4,216	1,166,605
Jamaica	2,142	2,767,704
British Guiana	9,046	587,135
Kenya, Uganda and Tanganyika	15,188,347	22,328,851
Nigeria	40,039	2,430,270
Anglo-Egyptian Sudan	1,315,848	9,428,574
Gold Coast	91,674	796,247
Union of South Africa	8,233,924	29,539,434
Australia	197,757,844	64,461,865
New Zealand	11,594,056	8,587,815
	<hr/>	<hr/>
	652,423,149	515,242,480
	<hr/>	<hr/>

APPENDIX VI.

WORLD DISTRIBUTION OF TRADE OF JAPAN PROPER IN 1934.

Imports from and Exports to:—	<i>Imports into Japan. (Values in yen.)</i>	<i>Exports from Japan.</i>
<i>Asia—</i>		
Manchuria	164,209,085	107,151,176
Kwantung Leased Territory	27,222,851	295,868,340
China	119,562,000	117,062,536
Hongkong	1,481,265	33,497,371
British India	289,671,524	238,220,797
Ceylon	2,288,059	19,790,503
The Straits Settlements	63,320,281	63,320,161
State of North Borneo... ..	7,303,883	299,866
Dutch East Indies	63,464,068	158,450,525
French Indo-China	10,620,781	2,654,318
Asiatic Russia	32,752,933	11,366,671
Philippine Islands	18,890,730	36,460,951
Siam	1,540,485	28,048,031
Aden	27,381	9,353,195
Syria	68,213	11,699,081
Palestine... ..	1,810	6,411,665
Iraq	26,416	17,165,948
Other countries in Asia	9,567,928	12,682,346
	812,019,693	1,169,503,481
<i>Europe—</i>		
United Kingdom	70,036,955	109,269,642
France	18,299,591	38,318,589
Germany	109,583,723	19,677,187
Belgium	17,226,509	9,675,280
Italy	3,461,372	9,579,193
Switzerland	10,925,490	307,408
Austria	3,542,244	198,088
Czechoslovakia	1,755,505	40,696
Holland	3,652,107	17,882,680
Sweden	21,140,412	6,113,059
Norway	14,279,865	2,828,029
U.S.S.R.... ..	8,055,602	1,638,828
Poland	267,854	212,211
Spain	2,851,625	1,749,358
Denmark	1,657,183	1,262,495
Greece	325,272	1,059,094
Turkey	1,973,035	2,194,039
Portugal	1,448,918	572,308
Other countries in Europe	5,139,781	5,194,043
	295,623,043	227,772,227
<i>North America—</i>		
U.S.A.	769,359,099	398,928,139
Canada	54,093,620	8,666,087
Other countries in N. America	23,405	20,185
	823,476,124	407,614,411

APPENDIX VI—continued.

Imports from and Exports to—continued.	Imports into Japan.	Exports from Japan.
	(Values in yen.)	
<i>Central America—</i>		
Mexico	189,522	4,009,900
Cuba	32,885	9,985,637
Salvador... ..	1,535	2,289,289
Panama Canal Zone	47,709	1,827,426
Panama	19,833	4,249,965
Guatemala	47,495	2,275,656
Honduras	4,216	1,166,605
Jamaica	2,142	2,767,704
Haiti	27,749	8,492,597
Other countries in Central America	483,867	6,230,459
	856,953	43,295,238
<i>South America—</i>		
Peru	1,822,989	6,879,242
Chile	3,438,088	7,439,506
Argentina	12,128,002	20,013,282
Brazil	3,291,849	3,064,520
Uruguay... ..	2,630,559	6,964,646
Venezuela	35,941	1,969,538
Colombia	41,861	9,004,740
British Guiana	9,046	587,135
Other countries in S. America	563,795	5,534,778
	23,962,130	61,457,387
<i>Africa—</i>		
Egypt	46,259,423	72,988,255
French Somaliland	85,690	4,090,990
Kenya, Uganda, and Tanganyika	15,188,347	22,328,851
Portuguese East Africa	1,116,373	8,821,554
Other East Africa	4,915,339	2,213,281
Spanish Morocco	1,806	2,553,169
French Morocco	505,567	19,075,887
Nigeria	40,039	2,430,270
Anglo-Egyptian Sudan	1,315,848	9,428,574
Gold Coast	91,674	796,247
Union of South Africa	8,233,924	29,539,434
Other countries in Africa	1,819,651	8,130,038
	79,573,681	182,396,550
<i>Oceania—</i>		
Australia	197,757,844	64,461,865
New Zealand	11,594,056	8,587,815
Hawaii	153,502	5,526,263
Other countries	4,790,491	1,309,386
	214,295,893	79,885,329
	Imports into Bonded Manufacturing warehouses from all foreign countries 32,723,128 yen.	

Reports by H.M. Trade Commissioners, Commercial Diplomatic and Consular officers on commercial and financial conditions in the following countries issued or in course of preparation, by the Department of Overseas Trade.

A.—During the year 1933.

No.		No.	
556 Austria ...	... 2s. 0d. (2s. 2d.)	558 Italy ...	... 5s. 0d. (5s. 3d.)
539 Brazil ...	... 3s. 0d. (3s. 2d.)	550 Netherlands	
561 China ...	... 4s. 9d. (5s. 0d.)	East Indies ...	... 4s. 6d. (4s. 9d.)
560 Egypt ...	... 4s. 0d. (4s. 2d.)	536 Panama ...	... 1s. 0d. (1s. 1d.)
540 Hungary ...	... 2s. 0d. (2s. 1d.)	537 Portuguese E.	
559 'Iraq ...	... 1s. 6d. (1s. 7d.)	Africa ...	... 2s. 6d. (2s. 8d.)

B.—During the year 1934.

No.		No.	
577 Angola ...	... 1s. 6d. (1s. 7d.)	580 Netherlands ...	... 3s. 0d. (3s. 2d.)
578 Australia ...	... 4s. 6d. (4s. 9d.)	585 Norway ...	... 2s. 6d. (2s. 8d.)
563 Belgian Congo ...	... 2s. 6d. (2s. 8d.)	572 Paraguay ...	... 1s. 6d. (1s. 7d.)
575 Belgium ...	... 4s. 0d. (4s. 3d.)	592 Peru ...	... 2s. 0d. (2s. 1d.)
583 B. E. Africa ...	... 3s. 3d. (3s. 6d.)	576 Poland ...	... 2s. 0d. (2s. 1d.)
587 Canada ...	... 4s. 6d. (4s. 9d.)	590 Portugal ...	... 2s. 6d. (2s. 8d.)
571 Costa Rica ...	... 1s. 0d. (1s. 1d.)	586 Roumania ...	... 2s. 0d. (2s. 1d.)
573 Denmark ...	... 2s. 6d. (2s. 8d.)	566 Salvador ...	... 1s. 9d. (1s. 10d.)
564 Dominican Rep.		565 South Africa ...	... 2s. 0d. (2s. 2d.)
and Hayti ...	... 2s. 3d. (2s. 5d.)	574 S. and N. Rhodesia	
569 Finland ...	... 2s. 6d. (2s. 8d.)	and Nyasaland... 2s. 6d. (2s. 8d.)	
581 France ...	... 7s. 0d. (7s. 9d.)	568 Switzerland ...	... 2s. 0d. (2s. 1d.)
562 French W. Africa... 1s. 6d. (1s. 7d.)		589 Syria ...	... 1s. 6d. (1s. 7d.)
582 Germany ...	... 3s. 6d. (3s. 8d.)	591 Turkey ...	... 1s. 6d. (1s. 7d.)
579 Greece ...	... 2s. 0d. (2s. 2d.)	567 Uruguay ...	... 1s. 6d. (1s. 7d.)
570 Mexico ...	... 1s. 0d. (1s. 1d.)	584 Yugoslavia ...	... 2s. 0d. (2s. 1d.)
588 Morocco ...	... 2s. 3d. (2s. 5d.)		

C.—During the year 1935.

No.		No.	
Algeria, Tunisia and		593 India ...	... 4s. 0d. (4s. 4d.)
Tripolitania ...	... (In preparation)	Japan ...	... (See cover)
Argentine ...	... (In preparation)	Latvia ...	... (In preparation)
Belgium ...	... (In preparation)	Newfoundland ...	... (In preparation)
602 Brit. Malaya ...	... 2s. 0d. (2s. 2d.)	596 Nicaragua ...	... 1s. 0d. (1s. 1d.)
594 Brit. W. Indies ...	... 4s. 0d. (4s. 2d.)	601 Persian Gulf ...	... 1s. 3d. (1s. 4d.)
595 Bulgaria ...	... 2s. 6d. (2s. 8d.)	Philippine Islands	(In preparation)
597 Chile ...	... 2s. 6d. (2s. 8d.)	Poland ...	... (In preparation)
Cyprus, Malta and		Siam ...	... (In preparation)
Gibraltar ...	... (In preparation)	Spain ...	... (In preparation)
Czechoslovakia ...	... (In preparation)	Sweden ...	... (In preparation)
599 Ecuador ...	... 1s. 6d. (1s. 7d.)	600 United States ...	... 5s. 0d. (5s. 3d.)
598 Honduras ...	... 1s. 9d. (1s. 10d.)	Venezuela ...	... (In preparation)

Annual subscriptions for the above reports, including postage to any part of the world, £3.

(The above publications can be obtained from the addresses given on the title page of this report. All prices are net, and those in parentheses include postage.)

No. 641

Crown Copyright Reserved

DEPARTMENT OF OVERSEAS TRADE

Economic Conditions in GERMANY

TO MARCH 1936

REPORT

By E. C. DONALDSON RAWLINS, C.M.G., C.B.E.

Commercial Counsellor to His Majesty's Embassy at Berlin

(The previous Report is dated June, 1934)

Geoffrey Institute of Economics
and Statistics, London



LONDON

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:

Adastral House, Kingsway, London, W.C.2; 120 George Street, Edinburgh 2;

York Street, Manchester 1; 1 St. Andrew's Crescent, Cardiff;

80 Chichester Street, Belfast;

or through any Bookseller

1936

Price 5s. 0d. Net

DEPARTMENT OF OVERSEAS TRADE

COMMERCIAL REPRESENTATION ABROAD

To foster British overseas trade, the Department controls the following services of Commercial Intelligence Officers :—

1. IN THE EMPIRE.

The Trade Commissioner and Imperial Trade Correspondent Services.

At the present time there are 16 Trade Commissioners' offices. These are situated, four in Canada (Montreal, Toronto, Vancouver, Winnipeg); two each in South Africa (Capetown, Johannesburg), Australia (Sydney, Melbourne), India (Calcutta and Bombay—to cover also Ceylon), and British West Indies (Trinidad, Jamaica); and one each in New Zealand (Wellington), Irish Free State (Dublin), Malaya (Singapore) and British East Africa (Nairobi).

The Trade Commissioners have the assistance of Imperial Trade Correspondents at a number of important centres.

There are also Imperial Trade Correspondents in those parts of the Empire to which Trade Commissioners have not been appointed.

2. IN FOREIGN COUNTRIES.

(a) *The Commercial Diplomatic Service attached to the British Diplomatic Missions.*

There are 38 Commercial Diplomatic posts situated in all the more important foreign markets of the world. The members of the Commercial Diplomatic Service are styled "Commercial Counsellors" in the highest grade, and "Commercial Secretaries" in the three lower grades. They are members of the staff of the British Embassy or Legation in which they serve.

The Commercial Diplomatic Officer has general supervision over the commercial work of the consular officers in his area, and with the co-operation of these two services, a complete network of Government commercial representatives is thrown over foreign countries.

The Department is represented in Germany by Mr. E. C. Donaldson Rawlins, C.M.G., C.B.E., Commercial Counsellor, and Mr. J. H. Magowan, O.B.E., Commercial Secretary His Majesty's Embassy, Berlin.

(b) *The British Consular Service.*

Particular attention has been given to the commercial side of consular work since the re-organisation of the service. In certain countries where no Commercial Diplomatic Officer is stationed the senior Consular Officer undertakes duties of a similar character.

Further information regarding the above services can be obtained on application to the Department of Overseas Trade, 35, Old Queen Street, London, S.W.1.

Members of United Kingdom firms are urged to call upon the Department's representative abroad when they visit an overseas country. It is also important that they should make a point of their representatives abroad keeping in close touch with the Department's officers.

NOTE.

It should be understood that the views expressed in annual reports are the views of the officers themselves, and are not necessarily in all respects those of the Department.

TABLE OF CONTENTS

	Page
COMMERCIAL SUMMARY	viii
HINTS FOR COMMERCIAL VISITORS	x
PREFACE	xi
 I.—INTRODUCTION.	
CHAPTER I:	
i The Guiding Principles of National Socialism in Economic and Social Affairs; Recent Development in the Home Market and Foreign Trade; Finance; Legislation ...	1
 II.—FINANCE.	
CHAPTER II:	
Public Finance:	
i The Budget	13
ii Revenue Receipts... .. .	14
iii Legislation	15
iv Current Expenditure and Consolidation	16
v Reich Indebtedness	17
 CHAPTER III:	
Central Banking and Exchange:	
i The Reichsbank and its Subsidiaries	17
ii Exchange	20
iii Transfer Agreements	21
 CHAPTER IV:	
The Money Market and the Banks:	
Market Conditions	26
Conversion nad Consolidation	27
The Banks	29
Banking Legislation... .. .	31
 CHAPTER V:	
i Blocked Marks: Their Origins and Methods of utilisation and realisation	31
 III.—THE EXPLOITATION OF NATURAL RESOURCES	
CHAPTER VI:	
The General Policy and Review of Recent Developments in respect of Natural Resources	37
 CHAPTER VII:	
Corporate Organisation:	
The Agricultural Estate: Its Structure, Functions and Economic Aims	39

	Page
CHAPTER VIII:	
Agriculture (<i>continued</i>). Marketing Regulations and Price Control of Agricultural Products	43
CHAPTER IX:	
Agriculture (<i>continued</i>):	
i Land Policy	50
ii Land Reclamation	50
iii Settlement Policy	51
iv Agricultural Credits	52
v Agricultural Labour	54
CHAPTER X:	
Agriculture (<i>continued</i>):	
i Acreage	55
ii Crops	56
iii Seeds	60
iv Livestock	61
CHAPTER XI:	
Oils and Fats:	
i The Importance of Imports	62
CHAPTER XII:	
Other Natural Resources:	
i Sea Fisheries	67
ii Forestry	68
iii Mining	69
CHAPTER XIII:	
i Progress towards Economic Self-Sufficiency; Raw Materials; Substitutes; New Products; Regenerates; Autarchy	71
IV.—INDUSTRY AND HOME TRADE.	
CHAPTER XIV:	
i Main Features of Recent Developments in Industry and Home Trade	82
CHAPTER XV:	
Corporate Organisation:	
i Estate of Industry and Trade	86
ii Estate of German Handicrafts	95
CHAPTER XVI:	
Fuel and Power:	
i Coal and Lignite	97
ii By-Products—Coke	101
iii Gas	102
iv Electricity	103
CHAPTER XVII:	
Metallurgical and Engineering Industries:	
i Iron and Steel	104
ii Non-ferrous Metals	110
iii Engineering	111
iv Locomotives and Wagons	112
v Electrical Engineering	113
vi Shipbuilding	116
vii Motor Vehicles	118

CHAPTER XVIII:

Textiles:

i	General	...	...	...	...	...	...	121
ii	Cotton	...	...	...	...	...	...	126
iii	Wool	...	...	...	...	...	...	128
iv	Hosiery	...	...	...	...	...	...	129
v	Silk and Velvet	...	...	...	...	...	...	130
vi	Rayon	...	...	...	...	...	...	131
vii	Linen	...	...	...	...	...	...	132
viii	Jute	...	...	...	...	...	...	133
ix	Hemp	...	...	...	...	...	...	134
x	Ready-made Clothing	...	...	...	...	...	...	134

CHAPTER XIX:

Miscellaneous Industries:

i	Building	...	...	...	...	...	...	135
ii	Woodworking	...	...	...	...	...	...	135
iii	Cement	...	...	...	...	...	...	136
iv	Chemicals	...	...	...	...	...	...	137
v	Nitrogen	...	...	...	...	...	...	139

CHAPTER XX:

Miscellaneous Industries (*continued*):

i	Leather	...	...	...	...	...	...	140
ii	Footwear	...	...	...	...	...	...	141
iii	Paper	...	...	...	...	...	...	142
iv	Ceramic	...	...	...	...	...	...	142
v	Glass	...	...	...	...	...	...	143
vi	Musical Instruments	...	...	...	...	...	...	145
vii	Cinematograph Films	...	...	...	...	...	...	146

CHAPTER XXI:

i	National Income	...	...	...	...	...	...	148
ii	Price Control	...	...	...	...	...	...	148
iii	Home Market—Wholesale and Retail Trade	...	...	...	...	...	...	149

V.—FOREIGN TRADE.

CHAPTER XXII:

i	General Trends	...	...	...	...	...	...	151
ii	The Trade Balance	...	...	...	...	...	...	153
iii	Tariff Changes	...	...	...	...	...	...	154

CHAPTER XXIII:

i	The New Plan for Imports	...	...	...	...	...	...	154
ii	Subsidy Schemes for Exports...	...	...	...	...	...	...	156
iii	Export Credit Insurance	...	...	...	...	...	...	158

CHAPTER XXIV:

i	Imports and Exports by Commodities	158
---	------------------------------------	-----	-----	-----	-----	-----	-----	-----

CHAPTER XXV:

i	Imports and Exports by Countries	164
---	----------------------------------	-----	-----	-----	-----	-----	-----	-----

	Page
CHAPTER XXVI:	
i Anglo-German Trade	170
ii Anglo-German Payments Agreement	172
CHAPTER XXVII:	
i Barter Transactions and Compensation Deals	176
ii Bilateral Clearing Agreements	177
CHAPTER XXVIII:	
i Commercial Treaties and Negotiations—January 1st, 1935, to March 31st, 1936	179
VI.—TRANSPORT AND COMMUNICATIONS.	
CHAPTER XXIX:	
i Corporate Organisation of Transport Enterprise	181
CHAPTER XXX:	
i Shipping	184
ii Inland Waterways	190
CHAPTER XXXI:	
Inland Transport:	
i Railways	192
ii Road Traffic	194
iii Aviation	195
CHAPTER XXXII:	
i Posts and Telegraphs	196
ii Radio	198
VII.—SOCIAL QUESTIONS.	
CHAPTER XXXIII:	
i Social Policy in General	198
ii Public Health	202
iii Education	202
iv Housing	203
CHAPTER XXXIV:	
i The Labour Front	204
CHAPTER XXXV:	
i Labour Legislation	212
CHAPTER XXXVI:	
The Social Services:	
i Insurance	220
ii Welfare Measures	225
iii Winter Relief	226
CHAPTER XXXVII:	
i Unemployment	227
ii Wages	229
iii Cost of Living	230
CHAPTER XXXVIII:	
i The Chamber of Culture	232

APPENDICES

	Page
I Glossary of Terms... ..	236
II Budget for the financial year ended 31st March, 1935... ..	239
III Acreage Figures and Crop Returns, 1935	240
IV German Supplies of Fats and Oils	241
IVa Distribution by Sources of German Fat Supplies	facing 240
V Production of Solid Fuel, 1932 to 1935... ..	242
VI Production of Steel in Germany in 1934 and 1935	243
VII Production of German Rolling Mills	244
VIII Statistics of Foreign Trade in Iron Ores, Iron and Steel, and Iron and Steel Goods... ..	245
IX Exports of Yarns and Textiles	247
X Imports by Commodities, by Value and by Quantities, in 1933, 1934 and 1935	248
XI Exports by Commodities, by Value and by Quantities in 1933, 1934 and 1935... ..	254
XII German Trade with Foreign Countries	260
XIII Principal Imports into Germany from the United Kingdom... ..	263
XIV Principal Exports from Germany to the United Kingdom	264
XV Foreign Trade between Germany and the British Empire	266
XVI Chief Imports into Germany from U.S.S.R.	267
XVII Chief Exports from Germany to U.S.S.R.	268
XVIII Chart: German Foreign Trade and Anglo-German Trade	facing 268
XIX Wages in Main Industries in December, 1935	269
XX Statistics of German Unemployment	270
XXI Commercial Treaties signed and ratified during 1935... ..	272
XXII Workers employed in Germany—comparison between 1932 and 1934	283
XXIII Industrial Census, 1925 and 1933	284

CHARTS

1. Agricultural Estate	facing page 42
2. Estate of Industry and Trade:	
Chart A	88
„ C	88
„ B	94
3. Estate of German Handicrafts	96
4. Schematic Organisation of Transport... ..	183
5. Labour Front	211

COMMERCIAL SUMMARY

Area.—181,724 square miles.

Population.—66,029,448.

Language.—German. (English is frequently met with in business houses.)

Rate of Exchange.—Par R.M. 20.43. For daily rates see newspapers. Rate on 31st December, 1935, R.M. 12.25 per £. For special rates for travellers, see "Hints for Commercial Visitors."

Monetary Unit.—The Reichsmark.

Official Index figures (1913 : 100) :—

Wholesale prices	...	...	...	...	...	December, 1935—103·4.
Cost of living	...	...	...	...	...	December, 1935—123·4.

Weights and Measures.—Metric.

Railway Mileage (normal gauge).—

						Kilometres.
German State Railway Co.	...	...	...	...	...	54,241
Private Railway Companies	...	...	...	...	...	4,489
						<u>58,730</u>

Mercantile Marine.—2,080 vessels with gross tonnage of 3,703,662 tons.

FOREIGN TRADE.

In thousand Reichsmarks.

	1933.	1934.	1935.
Total Imports...	4,203,612	4,451,036	4,158,695
Principal Imports.—			
Foodstuffs	1,082,284	1,066,873	995,936
Wool and animal hair (raw)	266,191	322,626	248,064
Cotton (raw)	306,994	260,239	329,722
Oil fruits and seeds	268,587	219,889	155,442
Mineral oils	127,515	136,856	164,953
Tobacco (raw)	120,331	123,848	118,937
Coal	58,007	66,781	54,793
Hides	86,501	99,284	88,250
Skins for furs	69,731	53,451	46,493
Iron Ore...	58,753	88,307	123,372
Timber	70,081	134,614	150,682

In thousand Reichsmarks.

	1933.	1934.	1935.
Total Exports...	4,871,405	4,166,878	4,269,667
Principal Exports—			
Iron goods	704,813	642,668	729,303
Machines (other than electric) ...	307,008	269,862	283,928
Electrical machines, including parts and other electro-technical products	220,448	199,047	206,343
Machine tools	131,880	87,038	78,152
Coal	208,768	215,762	252,188
Chemical and pharmaceutical goods ...	337,045	316,209	323,826
Dyes, paints and varnishes	202,492	206,001	193,763
Paper and paper goods	155,464	132,632	146,870
Cotton tissues	112,108	81,169	75,830
Woollen tissues	95,638	69,177	57,258
Silk and artificial silk textures ...	95,903	77,374	83,282
Clothing and under-clothing	94,092	66,548	54,360
Copper goods	127,247	118,050	122,914

In million marks

	1932.	1933.	1934.	1935.
Imports from—				
United Kingdom	259	238	205	256
U.S.A.	592	483	373	241
Netherlands	273	232	264	196
U.S.S.R.... ..	271	194	210	215
Argentina	192	149	151	143
France	190	184	177	154
Italy	181	166	185	187
British India	159	154	135	121
Belgium and Luxemburg	146	139	161	126
Czechoslovakia	140	122	162	121
Denmark	122	104	101	118
Exports to—				
United Kingdom	446	406	383	375
Netherlands	633	613	482	404
U.S.S.R.... ..	626	282	63	39
France	482	395	282	253
Switzerland	412	352	295	257
Belgium and Luxemburg	301	278	236	202
U.S.A.	281	246	158	170
Czechoslovakia	250	160	148	130
Sweden	228	191	198	207
Italy	223	227	246	279

HINTS FOR COMMERCIAL VISITORS

On entering German territory visitors should take care to obtain from the German Customs Official at the frontier a certificate giving details of the money in their possession. Unless such a certificate is obtained nothing more than the equivalent of R.M. 10 in foreign currency, or R.M.10 in German coinage, may be taken out of the country.

Reichsmark notes may not be taken by visitors into Germany, except up to an amount of R.M. 30. As Reichsmarks up to this amount are only intended to meet initial travelling expenses within Germany, they will not be included in the frontier certificate. In addition to the amount in notes, visitors may take in German coins up to R.M. 60.

Register Mark or Reise Mark Cheques are not entered in frontier certificates.

Frontier certificates are usually valid for three months only; the validity may be extended by Foreign Exchange Offices in Germany, up to a total of one year.

Register Marks.—Visitors to Germany can purchase Register Marks or Reise Marks through their bank in the United Kingdom at less than the Gold Mark rate. These Marks may only be used for personal expenses in Germany. Conditions under which these Marks may be used may be obtained from banks in the United Kingdom.

Payment for Imports.—The Anglo-German Payments Agreement of 1st November, 1934, provides that 55 per cent. of the value of German exports to the United Kingdom shall be earmarked for the payment for exports of United Kingdom goods to Germany. In order to be able to obtain sterling with which to pay for goods from the United Kingdom, a German importer must have been granted a foreign exchange certificate (*Devisenbescheinigung*) prior to the binding order. Trade with the United Kingdom by means of barter is not allowed.

Police Regulations, etc.—Visitors to a town should report to the local police authorities within 48 hours of arrival. On leaving, departure should also be reported to the local police. For visitors staying in hotels and pensions, these formalities are usually performed by the management.

Hotels and Restaurants.—Germany is well provided with hotels and, in the larger towns, hotels may be found to suit all pockets. 10 per cent. is added to the bills for service, both in hotels and restaurants.

Entertainment depends on the special circumstances, but for a lunch or dinner with wine, R.M. 10 per head must be allowed for in the larger towns. In typical German beer restaurants, prices are about half the above or less. Taxis are comparatively cheap in the larger towns, but dearer in the smaller towns. In some towns a surcharge is payable; where this is the case, a notice to this effect is posted in the vehicle.

Public Holidays.—

New Year's Day.

Good Friday.

Easter Monday.

Labour Day—1st May.

Ascension Day.

Whit Monday.

Corpus Christi (in Roman Catholic districts).

All Saints' Day—1st November (in Roman Catholic districts).

Repentance Day (second last Wednesday in November—Prussia only).

Christmas Day.

December 26th.

Banks close on the Saturdays before Easter and Whitsuntide.

Fairs.—The chief semi-annual fair at which British goods may be exhibited is held at Leipzig in March and September. The spring fair is the more important one.

Commercial Travellers' Samples (Customs facilities).—Copies of the Regulations (No. 12) governing the exportation from Great Britain or Northern Ireland and subsequent re-entry of commercial travellers' samples and specimens, may be obtained on application to the Secretary, Customs House, London, E.C.3.

The treatment of commercial travellers' samples in Germany is regulated by the International Convention on customs formalities signed at Geneva in 1923.

Commercial travellers must be in possession of a trading licence or identity card issued by a Chamber of Commerce in Great Britain.

Agents.—A memorandum on the appointment of agents in Germany has been prepared for United Kingdom firms by the Commercial Counsellor, Berlin, and a copy will be sent to firms interested, on application to the Department of Overseas Trade.

PREFACE

The last Report on Germany in this series was published in 1934 when the Third Reich was but a year old and the economic effects of the social and political revolution its establishment brought with it were just becoming visible. To-day it is possible to view the hurried social and economic legislation of 1933 in more perspective, and although the text of this Report deals in the main with events and tendencies of 1934 and 1935, no attempt has been made closely to confine the review of developments to those years. The Report gives, in fact, a *conspectus* of economic events since the National Socialist revolution with particular attention to recent developments.

The Report contains accounts of the several corporative organisations or estates which comprise the economic-social structure of National Socialist Germany. A new vocabulary has sprung up in connexion with these organisations and one of the principal features of it is avoidance of the terminology which characterised the old "liberalistic" order. An accurate translation of these new terms into English is not an easy task. In the English equivalents here adopted it has been sought to convey the *idea* of the German term rather than to give a literal translation of the German word; at the same time care has been taken to follow the German example of avoiding terms which might connote principles and associations by no means kin to the new order. For the benefit of readers who may have already acquired some knowledge of the corporative organisations and may not, e.g. recognise the Reichsnährstand (literally the Reich Nutrition Estate) under the title "The Estate of Agriculture" used in this Report, a glossary of the German vocables, with the English equivalents here adopted, for the whole range of the corporate organisations has been provided in Appendix I.

REPORT ON ECONOMIC CONDITIONS IN GERMANY

March, 1936

I.—INTRODUCTION

CHAPTER I

The Guiding Principles of National Socialism in Economic and Social Affairs; Recent Developments in the Home Market and Foreign Trade; Finance; Legislation.

General.—In the National Socialist State all economic activity must serve the interests of the community. Business interests in Germany must, therefore, regard themselves as subordinate to the general policy pursued by the State. Early in 1933 the German people were told that

“all activities will be governed by the law that the nation does not live for the benefit of the economic system nor the economic system exist for the benefit of capital, but capital serves the economic system and the economic system the nation.”

It is thus quite clear that industrial and commercial competition is subject to the principle that private profit as a motive is superseded by the common welfare, though not, it is claimed, to the point of complete extermination of the former. Although the National Socialist Government declares that it does not bind itself to any particular economic doctrine, but continually adapts its plans to prevailing conditions there is no doubt that this guiding principle of collective solidarity of the national interest is, and is likely to remain, the basis of all Third Reich economic policy. The application of the principle involves the acceptance of sacrifices where necessary, e.g. industry and commerce must submit to price control, wages must be kept low in spite of rising prices of food-stuffs, and the consumer must be prepared to go without certain commodities formerly considered as necessities.

Economic.—A further feature of National Socialist policy is the speeding up of old, and creation of new, plans for the organisation of all economic resources within Germany in such a way as to render the country as independent of foreign supplies as possible with a view to guaranteeing a basis of existence for the nation under any circumstances. It is contended that the failure of the farmer would lead to a collapse of German economy and also spell disaster to the whole German nation. Not only is the farmer regarded as the prime source of the food supply, but, in addition, as a political bulwark against communism and as an important factor in assisting to maintain the high birth rate.

Since 1933 the exploitation of natural resources in Germany has been carried out irrespective of the commercial aspect judged by world market standards. Mining operations for low grade ores have been considerably extended. Oil boring activities have increased. The synthetic production of petrol, fibres and rubber has been actively promoted. The objects of this expensive endeavour are both social and strategic. Labour for German citizens is provided on German soil and some degree of insurance against the risk of shortage of raw materials in time of war is effected.

Although self-sufficiency is pursued as an ideal, it is recognised that complete autarchy in Germany cannot be achieved—at least for many a long year. Apart from the shortage in the home supply of certain foodstuffs and raw materials, the Government has to find employment for the manufacturing industries which work largely for export. In this connection the Chancellor has said:—

“ We know that the geographical situation of Germany, a country poor in raw materials, does not permit of autarchy. It must be emphasised again and again that the Government is anything but hostile towards exports.”

He went on to say that Germany must needs keep in touch with the rest of the world, for millions of Germans obtain their livelihood by working for export.

The foreign exchange situation has contributed to the difficulties of keeping up the necessary supply of foodstuffs and raw materials, and has increased the necessity of making every effort to adapt German economy to military needs and to peace-time emergencies.

Closely linked up with this pursuit of a greater measure of economic self-sufficiency, the idea of primacy for wartime needs within the sphere of peace-time economics has been lately given a considerable amount of publicity. The needs of what is called “ Wehrwirtschaft ”—a term which is more comprehensive than the English expression “ industrial mobilisation ”—has become an important factor of national-socialist economic policy. It has been authoritatively declared that power has always prepared the way for economic measures, that national necessities of a political nature must take precedence of purely commercial motives such as profitability, and that the peacetime economic organisation of National Socialist Germany must be one adapted to national military needs.

Social.—With regard to the position of the individual, National Socialists claim that they must put an end to class differences in order to secure national harmony. While it opposes international solidarity of the working classes, National Socialism proclaims for the worker full membership in the affairs of his nation. The interests of employer and employee receive the same treatment; individual and class interests are subordinated to those of the national community. Under a Government with full and supreme

power of enforcing its will, even to the point of overriding established law, one of the practical results of this theory has been the suppression of strikes, lock-outs, and wage disputes generally.

National Socialists consider that one of the first obligations of the State is the provision of employment for the population—the worker has a definite claim to work. Further, the Government demands that employer and employee co-operate whole-heartedly in any schemes put forward by the State.

The existence of a strong middle class, with numerous small and independent undertakings, including shopkeepers and craftsmen, is regarded as a healthy and essential factor in the life of the nation. National Socialist opposition to large departmental stores arises from this consideration.

Similar social motives have prompted the schemes for the alleviation of distressed areas by the prohibition on removals into thickly populated industrial centres where the problem of unemployment is most acute and the transfer of town dwellers on to the land. These schemes, together with the promotion of agricultural settlement and the reclamation of land, are intended to ensure the health and strength of a growing population.

The introduction by the National Socialist Government of a policy of racial discrimination into the national life has resulted in greatly reduced activities on the part of Jews in public offices and in economic life. According to the National Socialist standpoint, Jewish enterprise is foreign to the German spirit, and is allied to international capitalism, the tenets of which are emphatically repudiated.

Economico-Social.—In the relevant sections of this report will be found summary descriptions of the structure and aims of the National Corporations of the Third Reich :—

The Agricultural Estate (Reichsnährstand).

The Estate of Industry and Trade (Organisation der gewerblichen Wirtschaft).

The Estate of Handicrafts (Reichsstand des deutschen Handwerks)

The Transport Organisation (Aufbau des Verkehrs).

The Labour Front (Deutsche Arbeitsfront).

These organisations represent the self-administration of the relevant departments of the national economic life on National Socialist principles. The degree with which they have established themselves varies; the Agricultural Estate is firmly established; so are the Labour Front and the Estate of Handicrafts. The Transport Organisation and the Estate of Industry and Trade are not so far advanced. In most cases the transition from paper to practice is still incomplete and much of the detail given in the relevant descriptive summaries is still a matter of theoretical planning rather than of living business practice.

All of these corporative organisations have the same underlying principles; their construction is such that the Government can guide and control them. Another feature common to all of them is the principle that their aims are fundamentally different from those of the self-interested associations they have superseded; the new corporative organisations are primarily interested in communal service; their own special interests are subordinate to national interests.

Recent Economic Developments.—With a professed attitude of being equally opposed to deflationary and inflationary measures, the Government embarked in 1933-4 upon an active policy for the creation of work, which in 1934 evolved into, and in 1935 was chiefly manifest in industry in the form of, Government orders for re-armament purposes. The initial intention of the authorities was to infuse new life into industrial activity by stimulating the demand for renewals and capital investment, since it was realised that a lasting economic improvement could only be achieved through the expansion of private initiative and not from an increased activity of the State itself in business. In 1935, however, government orders were still estimated to account for two-thirds of total expenditure on investment goods as against only one-fifth of this amount in 1928, while private industrial activity would appear to have remained chiefly, though not exclusively, limited to the erection of new plant for the production of raw materials.

As a result of this drive on the part of the Government, the total number of registered unemployed was reduced from over six million at the beginning of 1933 to 1.7 million by the end of August, 1935, when an increase set in which was largely seasonal and raised the figure again to over 2.5 million in January, 1936. It must be borne in mind, however, that a considerable portion of this reduction was due to the absorption of unemployed into the Army and Party formations, as well as to the fact that members of the Labour Service and of certain other groups are no longer classified as unemployed. Again, the effect of these employment schemes was strongest naturally in the initial stages, that is to say up to the middle of 1934, so that commercial improvement was much more noticeable in 1934 than in 1935.

An outstanding feature of the National Socialist programme for the creation of work was its extraordinary variety coupled with the wide range of measures which were introduced. In addition to the issue of public contracts for the building industry, the construction of roads and waterways and land reclamation schemes, private activity was encouraged by the grant of subsidies, loans, and alleviation, or remission, of taxation. There were such market-priming measures as subsidies to house owners for the repair and redecoration of their property, marriage loans to young couples for the purchase of household goods, and the abolition of taxation on private motor cars. In addition to these reflationary measures the Government took steps to improve conditions in the labour market, and enacted

measures such as the compulsory employment of young workers in agriculture, the prohibition of migration to certain large towns, and the substitution of male for female labour wherever possible.

Propaganda, combined with the far-reaching and powerful influence exerted on the population through the ramifications of National Socialist organisations, was also brought into play and assisted materially in furtherance of the Government's plans.

An additional task was laid upon the authorities by the necessity for providing work in the Saar Territory after its transfer to the Reich on 1st March, 1935. The loss of the French market and the higher German cost of living caused considerable difficulties which could only be overcome through government assistance.

The Home Market.—A natural result of the extensive rearmament programme was a boom in the iron and steel, non-ferrous metal, engineering, cement, ship-building and automobile industries, but production of goods for consumption lagged behind. The consumption goods industries profited only temporarily from the expansion of business arising from the provision of party organisations with uniforms and clothing, from furniture purchases etc. resulting from the marriage loans, and from the textile hoarding panic which broke out in the autumn of 1934, when the public began to fear a scarcity of raw materials. From the beginning of 1935 onwards the absence of any appreciable rise in the normal purchasing power of the population, and the indubitably increased cost of living due chiefly to the enhanced prices of foodstuffs caused a setback in business which was aggravated by insufficient supplies of certain raw materials.

Foreign Trade.—Export trade has not responded to the efforts of the Government towards economic regeneration as much as the home industries. Costs of production in Germany are too high to admit of successful competition in foreign markets without some kind of subsidy. Quotas and exchange restrictions, coupled with psychological factors such as the Jewish boycott, have created further difficulties. Again, the boom on the home market has increased the need for raw materials which have to be imported by Germany. Ever since December, 1933, German imports have either exceeded exports in value or have left an insignificant export surplus to swell the balance of payments margin from which provision had to be made for the service of the foreign debt and other financial payments in so far as these were not subject to a transfer moratorium. Further restrictions in the allotment of foreign exchange to imports, together with a control over the import and utilisation of a number of raw materials, were resorted to in the spring and summer of 1934, but these measures proved inadequate to check the accumulation of foreign indebtedness arising from the import of goods, some of which were considered

by the German Authorities to be superfluous and, under prevailing circumstances, even undesirable. Towards the end of September, 1934, far-reaching measures had to be resorted to under the so-called New Plan.

This scheme provided for a control of all imports with a view to their limitation to such quantities as could be paid for by exports or from the proceeds of the sale of exports, and efforts were directed towards the restriction of imports to such raw materials as were necessary for the execution of the national schemes of work creation and rearmament and for the maintenance or furtherance of the export trade.

It was of course impossible for the authors of this New Plan to adhere strictly and in every instance to their own principles since the provisions of existing commercial treaties and clearing agreements had to be considered. Nevertheless the Plan may be said to have been so far successful in that it has kept the economic machine working in the service of national policy.

Under existing conditions and regulations, compensation transactions of all kinds have tended to confine the exchange of goods more and more to bi-lateral transactions, so that most-favoured nation treaty clauses have lost much of their importance. By the end of 1935, 31 countries had come to some sort of Payments or Clearing Agreement with Germany; 60 per cent. of German foreign trade was then regulated in this way; and it has been authoritatively stated that the yield of free foreign exchange only amounted to 20 per cent. of total German exports in 1935.

Clearing Agreements have not been wholly successful. Apart from the delays and inconvenience caused by the central clearing machinery in the different countries, they have often meant dearer imports for Germany and interference with the free interchange of goods between individual importers and exporters. On the whole they have tended to slow down international trade.

Owing to the introduction of the Anglo-German Payments Agreement in November, 1934, these evils have fortunately not recently been apparent in the sphere of Anglo-German trade. Under this arrangement a normal proportion of trade between the two countries was facilitated by providing for the allotment of a definite monthly quota of foreign exchange for the payment of British goods, this quota being based on the value of German exports to the United Kingdom in the penultimate month.

In the summer of 1935, an extended scheme of export subsidies with a view to enhancing the competitive possibilities of German exports took the place of the old and exhausted scrip subsidy scheme. The necessary funds for the new scheme were obtained from German industrial concerns by means of a levy. At the same time the use of Register marks, Sperr-marks and various other kinds of blocked or clearing marks, all of them at a discount

to purchasers of German goods, was also continued as a measure of subsidy to exports.

Cost of production has all along been a matter of great concern to the Government, but it has not been possible to avoid a rising tendency necessitated in the main by the increased cost both of certain domestic and imported raw materials. The advantages gained from the spreading of overhead costs over increased production had, in most cases, come to an end already in 1934, by which time industrial concerns were approaching their highest level of output. While in many cases German goods were saleable only at unprofitable prices on foreign markets, payment in excess of ordinary world prices was often made for imports into Germany through barter transactions profitable to promoters but unprofitable to the German consumer.

German foreign trade in 1935 showed an excess of exports over imports of RM.111 million as against an adverse balance of RM.284 million in 1934, but the 1935 result was mainly due to a shrinkage of import values. Import and export values in Reichsmarks, however, are not a reliable guide for assessing German foreign trade for the following reasons:—little trade is actually done in Reichsmarks in cash; Reichsmark transactions through Clearing Accounts are credited at fixed rates although the Clearing Account Marks may have been bought or sold abroad at a discount; and the gold standard of the Reichsmark in foreign trade is only partially maintained.

In volume, however, Germany's foreign trade has increased between 1934 and 1935 and, as the President of the Reichsbank pointed out to the Bremen Chamber of Commerce at the end of February, 1936, the problem with which they were faced was not one of money but of goods. Judged by this criterion the Schacht Plan has been so far successful in that it has ensured for Germany the necessary supply of raw materials. An increase of sales abroad to yield free exchange is of course very desirable for Germany but the countries from which such free exchange is available are now very few.

The President of the Reichsbank has repeatedly declared that the stability of the free Reichsmark is a mainstay of German economic policy, since in his opinion a devaluation of the currency will not help Germany out of her difficulties. Government control of money exchange has steadily increased in stringency.

Owing to an increasing tendency for the export of certain food-stuffs and raw materials, including textiles, iron, non-ferrous metals, rubber, hides and skins and oils, the Government prohibited the export of these goods in November, 1935. Details are given in Chapter 24. It was officially stated that such exports were contrary to German economic interests, particularly as world market prices of most products showed an upward trend and replacement could only be effected by utilising additional foreign exchange.

Prices.—The Section of this Report dealing with natural resources contains a detailed account of the remarkable efforts to increase the German home supplies of raw materials and foodstuffs with a view to approaching self-sufficiency in these products. Experience would, however, seem to show that progress in this respect, and particularly in so far as agriculture is concerned, can only be slow. In 1935 domestic food supplies covered the total requirements to the extent of some 80 per cent. (85 per cent. if the substantial imports of fodder are not taken into account). This result has been achieved by the protection and promotion of agriculture to an unprecedented extent and at the expense of other sections of the population, the burden falling perhaps more severely upon the working classes, who have had to spend a larger share of income on food. Farmers, however, assisted by higher prices for their products have contributed to the general economic revival through increased orders given for agricultural machinery, fertilisers, etc. With regard to prices other than those of agricultural produce, the principle has always been maintained that the success of the programmes for the creation of work was not to be endangered by violent price fluctuations, but that a maximum production and turnover was to be achieved in order to secure lasting employment for as many persons as possible. The tendency of prices to rise during a boom was to be opposed just as much as price cutting. The task of eliminating both called forth numerous measures—including the appointment of a Price Controller—chiefly in connection with the supervision of cartel arrangements. Thus, wherever it seemed necessary, outsiders were affiliated to compulsory cartels and in many branches the erection of new plant and the extension of existing undertakings was prohibited in order that dissipation of capital resources should be minimised. The Government has, therefore, been attempting to exercise control with a view on the one hand to hindering undue profits, and on the other to preventing ruinous losses.

Dividends and Wages.—Wage schedules have remained stable since 1933 and the sacrifices which have had to be borne by wage-earners because of this have been repeatedly acknowledged and praised in public utterances. The National Socialist Government has not fixed a definite limit as regards industrial profits on dividends, but has limited their free utilisation by ordering that all concerns distributing dividends of over 6 per cent. are to pay in, for a period of three years, all such excess profits to the Gold Discount Bank which will invest the funds thus collected in Government stocks and will hold them in trust for the shareholders (or if 8 per cent. has been previously declared this dividend may be maintained). Certain measures of the Government have, however, served indirectly to restrict profits, such as the low price standard set for public contracts, the prohibition of price increases, the export subsidy levy, compulsory subscriptions, the obligation to employ unduly large staffs or alternatively the refusal of sanction

for factory dismissals. Generally speaking the policy of the Government has been to encourage the utilisation of profits—after due provision for reserves and depreciation—for the promotion of exports when possible or for productive investment rather than for the distribution of higher dividends.

Finance.—The bulk of the Government orders which have led to the business revival on the German market have been financed by short-term and medium term credit. A start has been made with consolidation measures. It has been pointed out by the Minister of Finance that this method of preliminary financing of long term investment by short term credit can be continued only so long as the short term credit can be consolidated and so far as funds for the service of the funded debt can be provided for in the budget. Otherwise expenditure must be paid for out of current revenue.

The business revival created by Government orders gradually resulted in a remarkable liquidity amongst industrial concerns and banks. There has also been a considerable improvement in Reich finance through increased revenue from taxation and the decrease in expenditure on unemployment relief, amounting altogether to about RM.4,000 million in 1935-36.

Summaries of the published figures of Reich public finance, Reichsbank returns and money market developments are given in the next three chapters of this Report. Here it suffices to summarize the general financial situation by quoting the following extract from the Reichsbank report for 1935 :—

“ Work creation programmes were continued according to schedule with the help of further resources made available by the Reichsbank. The financial problems arising from the restoration of Germany's military power were solved partly with the aid of budgetary funds and partly by recourse to short term financing in default of an adequate long term capital basis. It is important, from the point of view of national financial and central bank policy, to pay due regard to the limits beyond which this policy could have adverse effects upon note circulation and consequently on the whole structure of prices and wages.”

Legislation.

Altogether there were 202 laws and 436 decrees issued in 1934 and a further 150 laws and over 700 decrees in 1935, exclusive of several hundred other decrees dealing with international matters and budget regulations. The more important of these laws are briefly summarised below; further details will be found in the relevant Chapters of this Report.

Law for the Regulation of National Labour (Gesetz zur Ordnung der nationalen Arbeit) of 20th January, 1934. This may be described as the Magna Charta of National Socialist German labour. It lays down new principles for the relations between employer and employed which are admirably defined by the first two paragraphs of the law :—

(1) " In each firm the owner of the firm as the Leader (Führer) and the salaried and wage-earning employees, as his followers (Gefolgschaft), shall work together for the furtherance of the purposes of the firm and for the benefit of the Nation and of the State in general.

(2) The Leader of the firm shall make decisions for his followers in all matters affecting the firm in so far as they are governed by this Act. He shall promote the welfare of his followers, while the latter shall be loyal to him as fellow members of the works community."

This expression of the mutual obligations of management and staff is the salient feature of the law, and under its instructional influence employers and employed are expected to live up to the fulfilment of National Socialist aims. Other important points of the law are the institution of Labour Trustees and of Courts of Social Honour. Details of these new departures are included in Chapter 35 (Labour Legislation).

Domestic Labour Law (Gesetz über die Heimarbeit). This amended a previous act with a view to guaranteeing domestic workers an adequate remuneration for their work.

Steps were taken to provide for the protection of the lower middle classes by the two following measures :—

Law on Handicrafts (Verordnung über den vorläufigen Aufbau des deutschen Handwerkes) of 18th January, 1935. Under this law, any person desirous of establishing a handicraft business must prove that he has qualified as a master in his branch of trade. The purpose was to increase efficiency in the trade by the elimination of incompetent or not fully qualified members.

Law for the Protection of Retail Trade (Gesetz zum Schutz des Einzelhandels). Regulations under this law made the opening of new shops or the extension of existing ones subject to licence, the grant of such licence being dependent upon the personal qualifications of the applicant as well as upon local conditions. Further protection from unfair competition is accorded to shopkeepers, i.e. by control of rebates, regulation of the "periodical" sales" seasons, measures affecting sales from automatic machines and auction sales, certain limitation of the activities of co-operative societies and street vendors and finally through the National Socialist campaign against department stores and multiple shops.

Law concerning Commercial Propaganda (Gesetz über Wirtschaftswerbung) of the 12th September, 1933. All advertising as well as the holding of fairs and exhibitions are made subject to the supervision of the Propaganda Council of German Economy (Werberat der deutschen Wirtschaft). Any person or firm engaged in advertisement or any form of business propaganda must have the approval of the Council and a fee is levied on any income obtained. The Council claim to have remedied many forms of abuse, chiefly in connection with unfair and deceptive methods of advertising, and to have inculcated better and more modern methods of commercial propaganda. The number, scope and date of all fairs and exhibitions are determined by the Council, special attention being paid to the organisation of local fairs where the range of production of a whole district is being exhibited.

The following group of laws laid the foundations for the revival of agriculture under the National Socialist regime, viz. :—

Law for the Entailment of Farms (Reichserbhofgesetz) of 29th September, 1933.

Law dealing with the Re-Organisation of Agricultural Indebtedness (Gesetz zur Regelung der landwirtschaftlichen Schuldverhältnisse) of 1st June, 1933.

Law on the Formation of the Agricultural Estate of 13th September, 1933, and Marketing Regulations for Agricultural Products (Gesetz über den vorläufigen Aufbau des Reichsnährstandes und Massnahmen zur Markt- und Preisregelung für landwirtschaftliche Erzeugnisse).

While the first two of these laws were intended to limit agricultural indebtedness and thus to keep the farmer established on his soil, the third law and the marketing regulations aimed at securing a living to the producer by guaranteeing him a stable level of sales and prices for his produce.

Decree establishing the Department for Planning National Territory (Erläss über die Reichsstelle für Raumordnung) June, 1935. Continual efforts were made by the Government to keep down the town and city population by improving the conditions under which agricultural labourers worked and by the establishment of agricultural colonies or garden cities. Regulations under the above law deal amongst other things with the official location of certain industries, the uniform planning of settlements, house and road building, expropriation etc.

Law on the Promotion of the Power Supply (Gesetz zur Förderung der Energiewirtschaft) of 13th December, 1935. Government control was provided for this branch of production with a view to the securing of an efficient and cheap supply of electric power and gas for the whole country both in times of peace and war.

Laws affecting Transport, Road Building and Motor Traffic.—These are governed by the principle of avoiding ruinous competition between the various branches of transport and their application was considerably facilitated by the political unification of the Reich.

Banking Law (Reichsgesetz über das Kreditwesen) of 5th December, 1934. Fundamental legislation for the banking system was incorporated in this law, whereby the banks were to be supervised by a board functioning under the auspices of the Reichsbank. Far-reaching regulations were introduced regarding investments and the liquidity of credit institutions. The law was applied only gradually so as to avoid undue interference with business.

Other Regulations.—Comprehensive regulations on cartels and on joint stock companies are still under discussion. The former aim at a National Socialist system of market regulation, whilst the latter tend towards increasing the personal responsibility of the management of companies.

Racial legislation, which had been inaugurated by the Civil Service Act of the 7th April, 1933, culminated in the so-called Nuremberg Laws of the 15th September, 1935. Jews had already been eliminated from all public Departments and Concerns as well as from private business to a large extent; the new laws resulted in the transfer of a further number of Jewish firms to other hands.

It is obviously not easy to obtain a bird's eye view of the present stage of German economic development, and the conclusions to be drawn from a survey are liable to be coloured by some possibly irrelevant premises and prejudices. The following summary, in the form of enquiries, by an experienced and not unduly biased student of business conditions in Germany in recent times is perhaps worthy of quotation:—

“ From a commercial point of view—that is, regarding the country as a business concern among others in a world economy—is not Germany living on her capital? Has not the business boom based on work creation, rearmament and autarchy been organised and is it not being maintained, at the cost of increasing her economic isolation from the rest of the world? Is not this policy causing progressive impoverishment and is it not already pressing hard on both the standard of living and export trade? ”

In answer to the above it can be said that the *criteria* underlying this comparison of Germany to a business concern are not regarded as applicable by those in authority in Germany to-day. Germany is not being run as a private business concern; in the Third Reich political aims and the politico-social aspect of national policy

are paramount. Some people hold that ineluctable economic considerations will eventually reassert themselves as prime or limiting factors in national policy; but any prognostic on this must inevitably lead to conjectures far beyond the scope of a commercial report.

II. FINANCE

CHAPTER II

PUBLIC FINANCE

The Budget ; Revenue Receipts ; Legislation ; Current Expenditure and Consolidation ; Reich Indebtedness.

The Budget.—Formerly it was the practice of the German Government to publish the text of the Annual Budget Law and an analysis of the details of the budget in two volumes. An explanatory memorandum usually accompanied these publications. In 1933 the volumes of analytical detail were not published; in 1934 the explanatory memorandum was not published, and in 1935 no budget at all was published. A law dated 29th March, 1935, provided that the votes for Government Departments could be fixed by Government, or credits assigned to them by the Finance Minister in agreement with the other ministers concerned. This law contained various provisions customary in the budget law, including authority for the granting of further guarantees up to RM.200 million for the assistance of the export trade and up to RM.100 million for land improvement, but no table of estimates.

It was officially explained that the issue of a full budget was postponed owing to the necessity of determining the adjustments required as a result of the reincorporation in the Reich of the Saar Territory, and of the unification of the administration of justice.

On the 31st March, 1936, a law regarding the budget for the financial year 1936 was promulgated. It provided that the law of the previous year (29th March, 1935) should apply to 1936, and continued the guarantees for the assistance of the export trade and land improvement. The Finance Minister was authorised to grant a guarantee up to RM.40 million for regulating the marketing of eggs, and a guarantee up to RM.10 million for working credits for flax and hemp retting stations. No further details were published.

The publication of monthly statements of receipts and expenditure was also discontinued in 1935. The only financial returns now made available to the public are those showing the monthly revenue from taxation collected by the Reich, the floating debt, and the funded debt. The debt returns exclude liabilities in respect of "work creation bills" and "special bills" used to finance rearmament, on the ground that these are not formally part of the Reich debt.

The last budget issued, that for 1934-35, is summarised in Appendix II. The chief features of it were a small rise in the amount expected from direct taxation and a larger rise in the expectation of the yield of indirect taxation as compared with the previous year. It was estimated that no contribution would be required from the Reich towards unemployment relief and that the resources of the Unemployment Insurance Institute, together with the contributions of Municipalities for welfare relief would cover all requirements in spite of a reduction in the rates of contribution by employees.

The cash deficit on the ordinary budget for 1933 was RM.242 million, of which RM.100 million was provision for the redemption of floating debt. After allowing for credits carried in at the beginning of 1933 amounting to RM.225 million and those carried out at the end of 1933 amounting to RM.313 million, the accounting deficit for 1933 was RM.330 million and the accumulated deficit increased from RM.1,880 million to RM.2,210 million.

The cash deficit on the budget for 1934 was RM.414 million. No provision was made in the budget for the reduction of floating debt. After allowance for the credits carried in at the beginning of the year amounting to RM.313 million and those carried out at the end of the year amounting to RM.253 million, the accounting deficit thus rose during the financial year 1934-35 from RM.2,210 million to RM.2,554 million.

These figures must be read in the light of the fact that apart from the conversion of the Hilferding Loan and the old paper mark debt in 1934, the revenue side of the 1934-35 budget was swelled by the proceeds of loans amounting to RM.857 million, as against RM.92 million originally provided in the estimates. Further there was undoubtedly a considerable amount of Government expenditure which was outside the budget.

Revenue Receipts.—Tax revenue in the financial year 1935 amounted to RM.9,650 million as compared with RM.8,205 million in the previous year. Receipts from the wages and salaries tax, the assessed income tax, the corporation tax, the turnover tax, the bill tax, the transport tax, customs and the sugar, beer and tobacco taxes have all risen since 1933, especially revenue from wages and salaries tax, assessed income tax, corporation tax and bill tax. Taxation laws were extensively amended by ten laws issued on 16th October, 1934, which apart from such amendment as administrative experience had shown to be necessary in existing legislation, made provision for more generous allowances on taxation generally to the fathers of large families and for measures designed to stimulate business and to favour the transformation of joint stock companies

into personal businesses or partnerships. The concessions comprised in these laws were expected to involve a loss in revenue amounting to some RM.220 million per annum and a further loss of RM.100 million in the first year which would be compensated by increased revenue in subsequent years. As from 1st January, 1935, the unemployment levy was embodied in the income tax, so as to produce an estimated additional yield of RM.240 million on income tax. As from 1st January, 1935, the marriage contribution of the Reich was embodied in the income tax and from that date RM.15 million per month was transferred out of the yield of the income tax to the marriage loan fund. The collection of the slaughtering tax was first transferred to the Reich in May, 1934, the proceeds accruing as before to the local authorities.

The above figures represent the whole of the tax revenue collected by the Reich and take no account of the transfers of tax proceeds to the States, nor of the amount of the taxes discharged by the surrender of tax certificates. By a law of 26th February, 1935, it was provided that in the financial year 1935 the German States would surrender to the Reich two-thirds of any excess of their share in the yield of the income, corporation and turnover taxes over and above the following figures :—

	R.M.
Income tax	1,100 million.
Corporation tax	240 „
Turnover tax	573 „

The effect of these arrangements is that the increase in the yield of these three taxes now accrues to the Reich as to about 80 per cent. in the case of the income tax, 75 per cent. in the case of the corporation tax, and 90 per cent. in the case of the turnover tax.

As shown in Appendix II the 1934 budget estimates showed a revenue of RM.6,458 million and an expenditure of RM.6,771 million. The out-turn published in 1935 showed receipts of RM.7,806 million and expenditure amounting to RM.8,221 million. On the revenue side proceeds of loans were RM.1,039 million instead of the RM.275 million budgeted for, on the expenditure side programmes of work creation, the Labour Service Corps, and departmental expenditure all exceeded their estimates, the last-named by nearly RM.1,100 million.

Legislation.—The principal other legislative changes affecting public finance in 1935 were the grant of tax concessions and subsidies for the purpose of stimulating suburban settlement and housing schemes, the reduction by 25 per cent. on 1st April, 1935, of the tax on house property collected by the Communes, which was, however, neutralised by a law dated 30th March, 1935, providing that house owners should continue to pay the full amount of the tax, but that only three-quarters would in future be paid to the

Communes and the other quarter to the Reich in return for interest-bearing bonds. The amount so received by the Reich, estimated at RM.225 million per annum, is to be used for subsidising housing schemes. A decree dated 15th September, 1935, empowers the Government to make money grants to parents of large families with limited means. The grants are to be at the rate of RM.100 for each child under 16, when the number of such children amounts to four or more and the means test is satisfied. RM.30 to RM.35 million were taken for this purpose from the marriage loan fund. The total number of marriage loans since the introduction of the system in 1933 up to the end of March, 1936, was about 550,000, the average amount being, in the earlier stages at any rate, between RM.500 and RM.600, and the total amount paid out till the end of March, 1936, was about RM.310 million. Cancellations of a quarter of the loan in each case have been made in respect of the birth of about 350,000 children by the end of March, 1936.

The law of the 21st September, 1933, for the conversion of municipal short term indebtedness was amended by a law of the 29th March, 1935, which applied the original law to short term debts falling due in the period 1st April, 1935, to 1st October, 1936. The new law further provided that, having regard to the conversion to a $4\frac{1}{2}$ per cent. basis of the large block of mortgage bonds and public debt a fresh offer of conversion might be made by municipalities in respect of short term debts which had fallen due before the 1st April, 1935, to creditors who had refused the first offer. The exact total of the amount converted under these laws may have been RM.3,000 million by the end of 1935. These measures of short term debt conversion, and the increase in tax yield which has taken place, have materially improved the financial position of States and Municipalities. A number of Municipalities, including the City of Berlin, have been able to balance their budgets.

Current Expenditure and Consolidation.—Unemployment work schemes and other special expenditure have been to a considerable extent financed by the drawing of renewable three month bills, liability for which is assumed by the Reich at the end of a certain number of years. Some of these bills run as much as six years, renewable quarterly. Doubtless, also, direct advances have been made by the banks to Governmental Departments or to companies provided with a Reich guarantee. Rising revenue has of course served to meet a portion of these obligations as they fall due, and in addition a start has been made with the consolidation of such obligations by the issue of

(a) a loan of RM.500 million to the savings banks in February, 1935;

(b) a loan of some RM.300 million to insurance companies by instalments in 1935 and a further loan of a similar amount in 1936;

(c) a further loan of RM.500 million to the savings banks, and a loan of RM.500 million to the public, in September, 1935;

(d) a Railway Loan of RM.500 million issued at the price of 98½.

Further particulars of these loans are given in Chapter 4.

Reich Indebtedness.—The published total of Reich indebtedness rose from RM.12,331 million on 31st March, 1933, to RM.13,161 million on 30th June, 1935. It has been made clear that this latter figure does not include obligations in respect of work creation and more recent "special" expenditure. The following table shows the increase of total German public indebtedness, on a similar basis:

		(Million Reichsmark).	
		31st March, 1933.	30th June, 1935.
1.	Total recorded Reich debt	12,331	13,161
	(of which foreign debt)	3,037	1,750
2.	Total State debt	2,493	2,597
3.	Hanseatic City debt	737	730
4.	Communal debt (March 31st)	11,275	11,769
5. Total recorded Public Indebtedness (after allowing for deductions for in- debtedness between public bodies) ...		24,988	25,800

CHAPTER III

CENTRAL BANKING AND EXCHANGE

The Reichsbank and its Subsidiaries; Exchange: Transfer Agreements.

The Reichsbank and its Subsidiaries.—Throughout 1934 and 1935 the Reichsbank discount rate and the lombard rate remained unchanged at 4 per cent. and 5 per cent. respectively. Reichsbank note circulation and the amount of Reichsbank credit as represented by the total of its bills, lombard loans and securities eligible as note cover are shown in the following table:—

		(In Million Reichsmark)	
		Note Circulation.	Reichsbank Credit.
1934—			
	15th March	3,357	3,262
	15th June	3,485	3,488
	15th September	3,662	3,958
	15th December	3,720	4,131
1935—			
	15th March	3,403	3,987
	15th June	3,595	3,926
	15th September	3,856	4,213
	15th December	4,067	4,339
1936—			
	15th March	3,965	4,187

The expansion of Reichsbank credit and the Reichsbank note circulation were due to Government unemployment work programmes and special expenditure. The returns for 1935 should also be viewed in the light of the activity of the Gold Discount Bank to which reference is made below.

The Reichsbank, using its open market powers, increased its holding of securities eligible as cover for the note issue from RM.229 million on the 15th December, 1933, to RM.436 million on the 15th December, 1934, the greater part of the increase having occurred in the first half of the year. In 1935 the eligible securities remained steady at about RM.440 million until April, when they began to fall mainly owing to the redemption by the Reich of the second series of tax certificates, which could be handed in for payment of taxes on and after the 1st April, 1935. The amount of eligible securities held by the Reichsbank had fallen by May, 1935, to about RM.340 million and remained at that level until the end of the year.

In the first half of 1934 the gold and foreign currency reserve of the Reichsbank fell from RM.396 million to RM.77 million, the rapid fall being due to the fact that the balance of trade which had been favourable practically throughout 1933, became unfavourable in 1934. By the end of June, 1934, a system of daily distribution of foreign exchange had been introduced by the Reichsbank and as a result of this the reserve was kept practically stable for the rest of the year. On 31st December, 1934, the reserve stood at RM.84 million. Throughout 1935 the amount varied but little, reached the figure of RM.100 million at one time and stood at RM.88 million on 31st December, 1935.

Sight deposits at the Reichsbank rose from RM.425 million on the 15th December, 1933, to RM.870 million on the 15th November, 1934, fell to RM.760 million on the 15th December, 1934, and rose again to a maximum of RM.976 million on the 23rd April, 1935. The main reasons for the increase were the deposits of the Conversion Office in respect of untransferred interest and sinking fund payments on Germany's foreign debt and the special accounts held by the Reichsbank in the names of foreign central banks under the various exchange and clearing agreements, and of the German Clearing Office, which was set up under a Law of 16th October, 1934, to take over exchange and clearing accounts from the Reichsbank. The Clearing Office is under the control of the Reichsbank, but is empowered to invest a part of its funds instead of depositing the whole amount at the Reichsbank. After May, 1935, the Conversion and Clearing Offices invested a certain amount of their funds in the market—to a great extent in the promissory notes issued by the Gold Discount Bank (*vide infra*)—and as a result the sight deposits of the Reichsbank fell to a figure around RM.700 million in December, rising to over RM.1,030 at the turn of the year and falling again to RM.640 million in February, 1936.

The returns issued by the Conversion Office showed on 31st December, 1934, obligations of RM.20 million in respect of scrip issued and other obligations amounting to RM.252 million, all covered by deposits at the Reichsbank. In January, 1935, the scrip issued rose to RM.54 million owing to the belated issue of scrip to U.S.A. holders. The redemption of outstanding scrip has proceeded slowly and the amount outstanding on 30th November, 1935, was RM.26 million. The return of 29th February, 1936, showed a liability of RM.40 million in respect of 4 per cent. sterling funding bonds and RM.34 million in respect of 4 per cent. Swiss franc funding bonds, also further liabilities of RM.356.9 million mainly in respect of redemption monies. On the assets side his return showed investments of RM.223 million and deposits at the Reichsbank of RM.218 million.

No returns have been issued by the Clearing Office since its establishment in October, 1934.

In May, 1935, it was announced that the Gold Discount Bank would issue to the market three month promissory notes (Solawechsel) at the prevailing rate for bank bills, which was 3 per cent. during most of the year. With the proceeds of these bills the Gold Discount Bank relieved the Reichsbank of a part of its bill holding, which consisted mainly of work creation and "special" bills. These Gold Discount Bank promissory notes had risen by the end of August to RM.651 million. By the end of October they had fallen to just under RM.500 million, but rose again in November to RM.701 million and stood at about that level at the end of December, 1935. At the same time the deposits of the Gold Discount Bank rose from RM.102 million at the end of May to over RM.550 million. With these funds the Gold Discount Bank took over from the Reichsbank bills amounting to RM.1,347 million at the end of August and RM.1,443 million at the end of November, 1935, after a fall in the amount during October. The October fall occurred because the subscriptions to the Reich loans of RM.500 million to the public and RM.500 million to the Savings Banks were utilised to redeem work creation and "special" bills. In February, 1936, the Gold Discount Bank held bills for RM.1,430 million.

On the 7th March, 1934, a law was passed providing that the share of the Reich in the profits of the Reichsbank which amounted to RM.18 million for the calendar year 1935, should no longer be used under paragraph 7 (c) of the Law of the 30th August, 1924, for the redemption of Rentenbank notes. These profits will as a result of the new Law, be taken in future by the Reich as budget revenue, and there is now no provision left in existence for the redemption of Rentenbank notes.

The Law of 30th August, 1924, regarding the four private banks of issue provided that the Reich Governments could withdraw the privilege of note issue without compensation after one year's notice

on 1st January, 1935, or at intervals of 10 years thereafter. It was decided to withdraw the privilege, but as it was considered desirable to give longer notice than one year, a law was passed on 18th December, 1933, providing for the withdrawal of the privilege of note issue from these four banks after 31st December, 1935. The total note issue of these banks was subject to a maximum of RM.194 million and to other conditions. Gold to the value of over RM.70 million was held as cover and will presumably be sold to the Reichsbank; it is understood that this gold was temporarily deposited at the Gold Discount Bank at the beginning of 1936.

The net profits of the Reichsbank in 1933, 1934 and 1935 were RM.40 million. After providing for the transfer of RM.4 million to the legal reserve, the share of the Reich in each year was RM.18 million and a dividend of 12 per cent. was declared in each year on the capital of RM.150 million. In accordance with the Loan Fund Law of 4th December, 1934, only 8 per cent. was paid in cash to share holders in respect of the 1935 dividend, and the remaining 4 per cent. was handed to the Gold Discount Bank for investment in Government stock for the account of the shareholders.

Exchange.—Throughout 1934 and 1935 the official quotation of the Reichsmark in Berlin remained at or about its gold parity in relation to the French franc. In June, 1934, the Reichsmark weakened appreciably on the foreign markets as a result of the accumulation of Sondermarks in the Dutch and other accounts and for a short period was quoted abroad at a rate of over 5 per cent. below the Berlin quotation. In 1935 the official quotation for the gold Reichsmark remained very steady, but the quotations for various kinds of Blocked Marks (Cf. Chapter 5) were somewhat weaker than in previous years. Register Marks were quoted at a discount of from 40 per cent. to 50 per cent., or even higher, while the black market in foreign countries in Reichsbank notes smuggled out of the country was active at discounts of from 15 per cent. to 40 per cent. The smuggling abroad of Reichsbank notes and the discount at which they were sold in foreign countries increased markedly after September, 1935. These notes were sometimes used for making remittances to Germany and were also purchased by tourists to Germany. As a consequence the drastic step of prohibiting the *importation* of Reichsbank notes into Germany was taken in December, 1935, in respect of sums in excess of RM.30 per person in the case of foreign visitors. Reichsmark notes received from abroad were, from the date of this prohibition, subject to declaration by the recipient and to payment into a blocked account.

Standstill Agreement.—The Standstill Agreement was renewed for a further year at a time, as from the 1st March, 1934, 1935 and 1936 respectively without material modifications. Repayments of

capital were for the most part suspended except by way of cancellation of unavailed credit lines and withdrawals in the form of Register Marks, and certain reductions in interest charges were agreed.

The Public Debtors' Standstill Agreement as remodelled in 1934 provided that not more than one quarter of the debts could be called up in instalments during each year in the form of Register Marks and that the remainder of the debts could at the creditors' option be converted into 4 per cent. bonds of the Communal Conversion Association, the proceeds of which, if sold in Germany, would also become Register Marks. This agreement was renewed in 1935 and 1936.

Transfer Agreements.—After certain discussions with the foreign creditors, a law was promulgated on the 9th June, 1933, whereby all short and medium-term German debtors would be discharged of their liabilities by payment in Reichsmarks into the "Konversionskasse for German Foreign Debts," an institution specially formed for this purpose and under the supervision of the Reichsbank Directorate.

It was later announced that for six months from the 1st July, 1933

- (1) payments in respect of interest and sinking fund on the Dawes Loan would continue to be transferred in full;
- (2) payments in respect of interest, but not of sinking fund, on Young Loan would continue to be paid in full;
- (3) payments in respect of interest on the remaining long and medium term foreign loans with Germany would be transferred as to 50 per cent. in cash and 50 per cent. in Scrip certificates issued by the Conversion Office. No transfer would be effected for sinking funds of these loans.

Creditors in Switzerland and the Netherlands were not satisfied with these arrangements and as both these countries imported much more from Germany than they exported to that country they were in a position to enforce their claims. In October, 1933, the German Government made separate Agreements with Switzerland and the Netherlands by which Creditors in these countries received 100 per cent. transfer of the interest due to them.

This action naturally caused dissatisfaction in the U.S.A. and the United Kingdom, and both Governments sent in protests to Germany.

In December, 1933, the Reichsbank announced that for the first six months of 1934 the amount of interest paid out in cash would be reduced to 30 per cent., the remaining 70 per cent. being issued in Scrip certificates. The creditors protested and as a result of a further conference the German authorities undertook to purchase

these Scrip certificates at a price of 67 per cent. of their face value instead of 50 per cent., so that while the initial cash transfer remained at the reduced figure of 30 per cent. the creditor actually received 76·9 per cent. of the amount due as opposed to 75 per cent. which he was receiving before the 1st January, 1934. At the same time it was agreed that a further conference should be held "on the basis of no discrimination in favour of the creditors of any country and the cessation of separate agreements." This conference, which was long and difficult, led to no agreement, and on the 29th May, 1934, the Reichsbank made the following offer regarding coupons due during the period 1st July, 1934, to 30th June, 1935 :—

(1) interest payments to be funded by the issue of 3 per cent. ten year funding bonds of the Conversion Office in the same currency as the interest coupon ;

(2) alternatively coupon holders to be entitled to sell their coupons for devisen to the Reichsbank at 40 $\frac{1}{2}$ of their full value. The Reichsbank could withdraw this offer on 30 days notice. (The offer was actually withdrawn at the beginning of November, 1934.)

(3) Creditors unwilling to avail themselves of either of these alternatives to retain all their rights under the coupons. These offers, and the last-named stipulations, were to apply equally to all interest, dividend and other regularly recurring payments of a similar nature not represented by coupons.

These terms were accepted by the British, French and Swedish creditors on condition that the requirements of their Governments regarding the Reich Loans were satisfied and that they reserved their liberty of action if there was any discrimination. The Swiss and Dutch delegates to the Debts Conference were unable to agree.

On the 14th June, 1934, the Reichsbank announced the suspension of transfers for all German foreign medium or long term obligations including the Dawes and Young Loans for the period 1st July to 31st December, 1934, subject to the Reichsbank's offer of 29th May, 1934. On the following day the Chancellor of the Exchequer stated in the House of Commons that H.M. Government intended to introduce legislation empowering the Government to set up Clearing Offices, but that they would be prepared to refrain from the exercise of these powers in Germany's case if a satisfactory agreement ensuring fair treatment to British bond holders and British commerce could be negotiated before the 1st July. On the 28th June, 1934, a Debts Clearing Office and Import Restrictions Bill was accordingly passed through Parliament.

Meanwhile negotiations were proceeding with a German delegation in London and an Anglo-German Transfer Agreement was

concluded on 4th July, 1934, under which the German Government undertook :—

(1) to pay in Sterling all coupons of the Dawes and Young Loans on bonds in the ownership of British holders (as defined in the Agreement), the gold clause in the Young Loan being ignored ;

(2) to carry out with respect to other German loans, the terms of the offer of 29th May (mentioned above) subject to most-favoured nation treatment.

The United Kingdom Government agreed not to exercise their powers under the Debts Clearing Offices and Import Restrictions Act during the period of the Agreement which was valid for six months from the 1st July, 1934.

The Anglo-German Payments Agreement of 1st November, 1934, was negotiated to facilitate payments between the two countries mainly in connection with trade in goods. This Agreement is described in Chapter 26 on Anglo-German Trade. It was, however, a *sine qua non* that a satisfactory settlement of the debt question for the period after the 31st December, 1934, should also be reached. Accordingly in Article 7 of the Anglo-German Payments Agreement it was provided

(1) that the payment of the Dawes and Young Loan coupons should be continued during the period of the Agreement ;

(2) as regards other medium and long term obligations the German Government should offer to British holders in respect of interest, dividends and other regularly recurring payments of a similar nature due on or after 1st July, 1934, and up to the 30th June, 1936, Funding Bonds bearing interest at 4 per cent. per annum (instead of 3 per cent.).

Throughout 1935 the transfer provisions of the Anglo-German Transfer and Payments Agreements of 1934 were duly executed and interest was paid in full to British holders of the Dawes and Young Loans. After negotiations regarding the terms of the general bond securing the 4 per cent. funding bonds had been concluded in February, 1935, the issue of these funding bonds commenced in March, 1935. The amount of 4 per cent. Sterling Funding Bonds issued up to the end of February, 1936, was about £3,250,000. The bonds have been quoted on the London market at prices ranging between 35 per cent. and 40 per cent. of their face value.

Some of the other creditor countries also took steps to ensure that their bondholders should receive payment of interest on the Dawes and Young loans, and between July and October, 1934, agreements were signed with Switzerland, France, Sweden, the Netherlands, Belgium, Italy and Finland, provision being made in all cases for the service of Germany's foreign debt. The French Agreement had particular reference to the Dawes and Young

Loans and corresponded in this respect with the Anglo-German Transfer Agreement of 4th July, 1934. The agreements made with other countries provided for the payment of full interest on Reich loans and of interest up to 4½ per cent. on non-Reich loans. As Germany's balance of trade with the U.S.A. was unfavourable the U.S.A. Government was unable to secure any special arrangement for the payment of U.S.A. bond holders.

In the course of 1935 transfer agreements between Germany and several other foreign countries were revised. Generally, the effect was to reduce the cash payments made to foreign holders of investments in Germany. In some cases this reduction applied to interest on the Dawes and Young Loans. The principal transfer agreement changes were:—

Switzerland.—The Swiss-German Clearing Arrangements of 1934 worked badly and ran steadily into arrear. A new agreement was made in April, 1935. This Agreement provided that out of the first 19.6 million Swiss francs of proceeds of German monthly exports to Switzerland, excluding coal, provision would be made for trade payments in respect of current Swiss exports and other charges and 1 million Swiss francs would be reserved for the repayment to Swiss banks of the advances which they had made to Swiss holders of investments in Germany under the old transfer agreement; and of any surplus above 19.6 million Swiss francs, 60 per cent. was to be used for further repayment of advances and for current payments to Swiss holders of investments in Germany. The cash available was to be used to pay interest up to 4½ per cent. on Swiss holdings, Dawes and Young Loans and holdings expressed in Swiss francs being given a preference in this respect. Any amounts of interest not paid in cash were to be paid in 4 per cent. Swiss franc funding bonds. The new agreement continued the existing arrangement for setting off German exports of coal to Switzerland against the expenditure of German tourists in Switzerland. By the end of July payments made for tourist traffic had exceeded the receipts from coal exports by nearly 34 million Swiss francs, for German foreign touring seemed to have become concentrated on Switzerland and Italy as a result of exchange facilities for other countries being restricted, while for Switzerland and Italy, by virtue of the coal agreements, they were comparatively free. For a time the provision of funds for German tourists to Switzerland had to be cut off, but eventually a new arrangement was reached under which limited sums were made available to German tourists in the form of coupons which could be cashed at Swiss hotels and shops by German tourists. The deficit on the coal tourist account had been reduced to 27 million Swiss francs by the middle of November.

The Netherlands.—The German-Dutch Clearing Agreement of 1934 worked badly and led to the accumulation of fresh commercial debts. A new agreement including a transfer protocol was reached

on 17th June, 1935, and provided for cash payments to be made to Dutch holders out of the proceeds of certain additional German exports to Holland. Interest on bonds or dividends was to be paid under this agreement up to $3\frac{1}{2}$ per cent. and rents up to four-fifths of their amount. In respect of amounts due in excess of these limits and up to a total of $5\frac{1}{2}$ per cent. interest, Dutch holders were given the option of 4 per cent. Gulden funding bonds, or blocked marks which the recipients might use for their own travelling and personal expenditure in Germany, or to meet certain other liabilities in Germany. These Mark credits could not be transferred to other people and became known as "Holland Marks." As regards the Dawes and Young Loans interest in excess of $3\frac{1}{2}$ per cent. was to be paid in blocked Marks ("Dawes" or "Young" Marks) which are practically equivalent to register marks. The agreement further provided that Dutch tourists purchasing register marks or "Dawes" or "Young" marks must at the same time purchase a certain proportion of free marks, the proceeds of which are credited to the Dutch clearing account. The effect of this agreement was to cut down effective cash transfers to Dutch holders from $4\frac{1}{2}$ per cent., or the full rate in the case of Dawes and Young Loans, to $3\frac{1}{2}$ per cent.

Sweden.—A new agreement was made with Sweden on 19th July, 1935, which increased from 40 per cent. to 50 per cent. the amount of the proceeds of German exports to Sweden which is set aside to pay the full interest on Swedish holdings of Dawes and Young Loans and of the interest on Swedish holdings of the Kreuger Loan. Any surplus was to be used for payment of interest up to $4\frac{1}{2}$ per cent. in respect of non-Reich debt, dividends up to $4\frac{1}{2}$ per cent. plus half the excess due, and rents in full. Failing this, holders of non-Reich debt could receive blocked marks up to 6 per cent. interest, which might be used for the holders' own journeys in Germany on business or pleasure, and for meeting certain other liabilities in Germany. These Swedish Marks were similar to the Holland Marks noted above.

Denmark.—Under the Agreement made in February, 1935, provision was made for the payment, out of certain additional exports, of interest in cash up to $4\frac{1}{2}$ per cent., dividends up to $4\frac{1}{2}$ per cent. plus half the excess due and rents in full, to Danish investors in Germany.

Other Countries.—The transfer arrangements with France were not altered in 1935, but the whole Franco-German Clearing Arrangement was allowed to lapse at the end of July, 1935, with a view to liquidation on agreed lines which include provision for the payment of Dawes and Young interest in full. No Agreement was made with the U.S.A. Dawes and Young coupons which fell due in the first half of 1935 were paid again in "Dawes" or "Young" marks on the same terms as at the end of 1934. As regards the coupons falling due in the second half of 1935, payment was made

in dollars at three-fifths of the full rate on the Dawes Loan and eight-elevenths of the full rate on Young Loan coupons. Details regarding the German-Italian Agreement were not published; the agreement, however, is believed to include provision for the setting off of the proceeds of German coal exports to Italy against German tourist expenditure as in the case of Switzerland. Tourist agreements of very limited scope were also concluded with Holland, Denmark and Czechoslovakia.

CHAPTER IV

THE MONEY MARKET AND THE BANKS

Market Conditions, Conversions and Consolidations; The Banks; Banking Legislation.

Market Conditions.—During 1934 the short term money market became increasingly liquid. The rate for day-to-day money fell from a little over 5 per cent. at the end of 1933 to 4.6 per cent.-4.7 per cent. at the end of 1934, and the private discount rate dropped from 3.9 per cent. to 3.5 per cent. The Government was able both to decrease the period of currency and to reduce the rate of interest of its Treasury Notes which were finally divided into two series. At the end of 1934 it was issuing ten-month notes at 4 per cent. and sixteen-month notes at $4\frac{1}{4}$ per cent. Throughout 1935 the money and capital markets were dominated by the Government policy of financing unemployment works and armament programmes and by the capital operations of the Government. The capital market was entirely reserved for the operations by the Government which had taken measures to stimulate the bond market as distinct from the share market.

Throughout 1935 the Government continued to issue short to medium term Treasury Notes on improving conditions. By October the rate of discount at which one-year non-interest bearing Treasury Notes were offered, had fallen to $3\frac{3}{8}$ per cent., and by September, twenty-three-month non-interest bearing notes were being issued at $3\frac{3}{4}$ per cent. discount. The period of the $4\frac{1}{4}$ per cent. interest bearing notes first issued at the end of 1933 had been extended by July, 1935, by more than a year over the original two and a-half years.

Great liquidity of the money market persisted in 1935 as in 1934. By May, 1935, the private discount rate had fallen to 3 per cent. After March the rate for day-to-day money fell steadily to an average of just over 3 per cent. in November; it had actually been on occasion as low as 1 per cent. in the meantime. This increasing liquidity was due to the continuation of the Government unemployment work and rearmament programmes financed by credits supplied in part by the Reichsbank and the Gold Discount Bank, and to a large extent by other banks, more particularly special banks such as the "Gesellschaft fuer oeffentliche Arbeiten," the "Verkehrskredit-Bank," etc., which took up the three-month renewable bills used for financing these programmes.

Conversions and Consolidation.—1934 conversions included an issue of R.M.115 million three-year $4\frac{1}{2}$ per cent. bonds at $97\frac{1}{2}$ by the Prussian Government, a Post Office issue of R.M.150 million five-year $4\frac{1}{2}$ per cent. bonds at 97 in March, 1934, and the conversion of the tax-free 1929 Hilferding loan combined with the offer of conversion of the old paper mark debt without drawing rights. For the purpose of this, the largest operation of the year, a $4\frac{7}{8}$ loan was offered in June, 1934, at 95, redeemable by annual instalments in 10 years by drawings at par, or by purchases below par being used to provide supplementary interest at the rate of an additional 1 per cent. for every 10 points by which the quotation stands below par. Holders of Hilferding loan could convert their holdings at 100 per cent., receiving the difference of 5 per cent. in cash. Holders of old paper mark debt without drawing rights could convert on the terms that R.M.100 nominal of the new loan was offered in exchange for R.M.300 nominal of the paper mark debt plus R.M.23.75 in cash. The result of the operation was that R.M.329 million nominal of the new $4\frac{7}{8}$ per cent. loan were issued. Of this about R.M.180 million was in respect of the conversion of the paper mark debt, R.M.65 to 70 million in respect of conversions of Hilferding loan and R.M.80 to 85 million in respect of issues for cash. The cash received from the latter portion of the issue together with that received in connection with the conversion of the paper mark debt was nearly all required to redeem the unconverted Hilferding loan and the cash part of the operation approximately balanced out. Of the old paper mark debt without drawing rights R.M.537 million nominal was converted and R.M.74 million remained unconverted, probably through negligence, as the conversion offer was a windfall to holders.

The bond market improved substantially towards the end of 1934 and on the 24th January, 1935, a law was passed providing for the wholesale conversion to a $4\frac{1}{2}$ per cent. basis of mortgage bonds and communal bonds issued by German mortgage and semi-public banks. The law empowered these banks to offer $4\frac{1}{2}$ per cent. bonds in exchange for any bonds bearing 6 per cent. interest or over, the reduction in interest to operate from 1st April, 1935, but with a single tax-free payment of 2 per cent. to converting holders. Assent to the conversion was assumed if non-assent was not notified within 10 days of the offer. Non-assented bonds had to be deposited with the issuing banks and ceased to be quoted on the stock exchanges and to be eligible as collateral at the Reichsbank. No offer of redemption was made in the case of non-assented bonds. The reduction in interest was to be passed on by the banks to their mortgage or communal debtors, but the latter were obliged first to pay the 2 per cent. conversion premium and the expenses of the operation. The amount of bonds involved was approximately R.M.6,000 million mortgage bonds and R.M.2,000 million communal bonds. As German investors were unable to transfer their money abroad owing to exchange restrictions, there

was no option for holders in this or subsequent cases but to accept conversion or lose the negotiability of their holdings.

By a law dated 27th February, 1935, a practically identical procedure was applied for the conversion to a $4\frac{1}{2}$ per cent. basis of bonds and inscribed debt of the States and communes bearing 6 per cent. or more and of the 6 per cent. inscribed debt of the Reich. Exception was made in the case of State and communal bonds issued abroad and as regards the inscribed debt of the Reich. Those who had retained their holdings continuously since they first received them as compensation for war damage, were given the right to receive special additional interest of $1\frac{1}{2}$ per cent. per annum as from the date of the conversion, as long as they continued in possession of their holdings, in place of the conversion premium of 2 per cent. The amounts involved under this conversion law were approximately R.M.1,000 million for the State and communal debts and R.M.1,000 million for the Reich inscribed debts. As this and the previous operation had been to some extent anticipated by the market and as some movement had taken place from bonds bearing higher rates of interest to bonds bearing lower rates, the margin between the prices of the two classes of bonds had already narrowed in January and the 2 per cent. conversion premium approximately filled the margin. The index of $4\frac{1}{2}$ per cent. bond quotations in November, 1935, when the 2 per cent. premium had ceased to influence quotations, stood at 94.93, midway between the index for the corresponding 6 per cent. bonds in December, 1934, and that of January, 1935. During the year, in spite of Government endeavours to discourage interest in the share market, the index of share quotations rose from about 80 to over 95 in August. By November, however, it had receded to about 90 $\frac{1}{2}$. In December, 1933, the share index was 67 $\frac{1}{2}$.

In January, 1935, the first step was taken towards consolidation of the floating obligations of the Reich arising from unemployment work bills and the "special" bills due to the rearmament programme. Concurrently with the first conversion operation described above, a loan of R.M.500 million was issued at $4\frac{1}{2}$ per cent. to the savings banks, the price of issue being 98 $\frac{1}{2}$ and redemption being made in 28 years at the annual rate of 2 per cent. of the amount issued plus interest savings. The subscriptions were made by instalments extending to August, 1935, and the savings banks were promised a relaxation of their liquidity rules in order to facilitate the taking up of the issue. As savings deposits had increased satisfactorily in 1934, the savings banks were able to provide the instalments with only temporary recourse to the money market.

At the same time arrangements were made for the taking up of a similar loan by insurance companies. No particulars were published, but it appears that by the end of the year some R.M.300 million had been taken up in monthly instalments.

In September a further consolidation operation was undertaken and a second issue of RM.500 million on the same terms as before was made to the savings banks. At the same time an issue of RM.500 million was made to the public in the form of ten-year $4\frac{1}{2}$ per cent. Treasury Notes at $98\frac{3}{4}$, the issue to be amortized by drawings at par in five equal instalments in the years 1941-45. The whole of the latter loan was taken up. Some disturbance was caused in the money market by the fact that although subscriptions by the public were made in instalments extending to December, the issuing banks were allowed a profitable rate of interest on pre-payments. Actually the greater part of the subscriptions were paid up at once.

In September, 1935, conversion issues were made by the State Railway Company and by the Postal Administration. In the former case RM.150 million of 6 per cent. bonds issued in 1930 at 95 fell due for repayment on 1st September, 1935, and six-year bonds at $4\frac{1}{2}$ per cent. were offered either in conversion or at cash subscription at $98\frac{1}{2}$ per cent. Conversion applications were received for RM.96.5 million and the cash subscriptions were offered for RM.182 million and an allotment of about RM.36 million only being made in respect of cash applications. In the case of the Postal Administration RM.150 million of 5 per cent. bonds issued in 1933 at 98 fell due on 1st October, 1935, and the Administration desired to renew RM.125 million of this issue. This amount was therefore offered for conversion only in the form of five-year $4\frac{1}{2}$ per cent. bonds at $98\frac{3}{4}$. The whole of the amount was taken up.

In December, 1935, a further conversion issue was offered by the Prussian State. An issue of Prussian Treasury Notes was due for repayment on 20th January, 1936, at 102 per cent., and an issue was made of RM.150 million $4\frac{1}{2}$ per cent. five-year Prussian Treasury Notes at $98\frac{3}{4}$ for conversion of the maturing issue or for cash subscription.

The Railway Company also issued to the public $4\frac{1}{2}$ per cent. bonds amounting to RM.500 million at the price of $98\frac{1}{2}$. These bonds are repayable on the 2nd January, 1944.

It was announced at the end of March, 1936, that German Insurance Companies would take up in 1936 the same amount of Government Loan as they did in 1935, i.e. about RM.300 million. The Insurance Companies will take up the loan as and when they have money available. For half of the amount $4\frac{1}{2}$ per cent. bonds of the 1935 German Loan (second instalment) will be issued and for the other half $4\frac{1}{2}$ per cent. Treasury Bonds 1936. These Treasury Bonds 1936 were an entirely new issue.

The Banks.—As a result of the reduction in money market rates and the conversion of the mortgage bonds and State and communal debt to a lower interest basis, an agreement was reached among the banks at the end of February, 1935, providing for a reduction

of the interest rates credited or charged between the banks and their clients. The interest on savings deposits credited by the savings banks and others was reduced from $3\frac{1}{2}$ per cent. to 3 per cent. and the rates credited on other deposits were also reduced generally by $\frac{1}{2}$ per cent., with the exception of the 1 per cent. credited on current accounts. On overdrafts the interest charged on the amount actually used remained unaltered at 1 per cent. above the Reichsbank discount rate, but the commission on the maximum amount of the overdraft was reduced from $\frac{1}{2}$ per cent. to $\frac{1}{8}$ per cent. per month.

Savings banks deposits rose throughout 1934 and 1935 from RM.10,808 million on 31st December, 1933, to RM.13,303 million on 31st December, 1935. The special credits provided by the Reichsbank and the Acceptance Bank during the 1931 crisis are now practically repaid. In connection with the issue of the two RM.500 million loans to the savings banks relaxations in the regulations governing the liquidity and investment of savings banks were made by a decree on 9th February, 1935. This decree provided for greater freedom on the part of the savings banks in making advances to clients, allowed the banks to invest up to 50 per cent. of their savings deposits in mortgages instead of only 40 per cent. as heretofore, and also laid down standard conditions (not yet put into force) of withdrawal of savings deposits. In addition, it was provided that the liquidity deposits which these banks have to make at their clearing centres amounting to 10 per cent. of their savings deposits plus 20 per cent. of their other deposits, were allowed to be made up in future as to one-half of securities approved by the Minister for Economic Affairs. The two loans of the Reich taken up by the savings banks in 1935 were approved for this purpose.

The reports of the five largest German banks for the years 1933, 1934 and 1935 showed general improvement. Nominal liquidity rose as measured by the proportion of liquid assets and bills (including work creation and "special" bills) to liabilities. Owing to the highly liquid condition of many industrial concerns there was some tendency for the advances of the banks to shrink and for their deposits to increase.

The Reich-Kredit-Gesellschaft and the Berliner Handelsgesellschaft paid a dividend of 5 per cent. in 1933 and 1934 and increased this to 6 per cent. in 1935. The Deutsche Bank und Disconto Gesellschaft, the Dresdner Bank, and the Commerz- und Privat-Bank paid no dividends in 1933 or 1934, but all three resumed dividend payments with 4 per cent. for 1935. The last dividend paid by the Deutsche Bank und Disconto Gesellschaft was 6 per cent. in 1930, a decrease from the 10 per cent. paid in previous years. In 1934 the Dresdner Bank applied the whole of its net profits of RM.11 million to the further writing off of assets and the

Deutsche Bank und Disconto Gesellschaft similarly applied the whole of its net profits of RM.25·5 million. In addition, the last-named bank wrote off RM.11 million out of revenue, and a further sum of the order of RM.15 million out of proceeds of the sale to the Reich of the Disconto-Gesellschaft building no longer used. The Commerz- und Privat-Bank wrote off assets in 1934 to the extent of RM.10·5 million out of profits, RM.20 million out of reserves and a further amount possibly as much as RM.20 million out of revenue and hidden reserves. Further writings off were made by all banks in 1935, but the amounts were for the most part not disclosed.

Banking Legislation.—A Banking Enquiry Committee which had been appointed in August, 1933, issued its report in December, 1934. Nationalisation of the banks was not recommended, but it was suggested that the formation of regional banks and of private banks should be favoured when their viability was assured. Technical suggestions made by the Committee were embodied in a law passed by the Government on 4th December, 1934, which set up a Bank Supervising Office presided over by the President of the Reichsbank, assisted by the Bank Commissioner. This Supervising Office may within certain limits lay down rules regarding the liquidity of credit institutions and the relation of their capital to their liabilities. Savings deposit business is to be kept separate from other business and is subject to special rules both as regards general conduct and as regards investments. Cheque and transfer transactions on savings accounts were in principle prohibited. The obligations on banks to furnish periodical returns to the Reichsbank was widened, but decision regarding publication of such returns was reserved for the Reichsbank. The Supervising Office was empowered to lay down rules regarding non-cash transactions and also to postpone the operation of some of the new provisions of the law. Most of the liquidity provisions and of the new rules about savings deposits cannot in fact be made effective under present conditions.

CHAPTER V.

BLOCKED MARKS

Their origins and methods of utilisation and realisation.

The following is a list of different sorts of blocked Reichsmark accounts in Germany in which a foreigner may be interested, with a short account of how they are created and how they may be utilised. The list is not exhaustive.

I.—Free Reichsmark Account (Freie Reichsmark).

These are accounts which have been created since the 15th July, 1931 at a German bank by a foreigner in his name from the proceeds of the sale of foreign currency, which he himself has paid in, or

which has been paid in by another foreigner, or by a resident in Germany with the permission of the Foreign Exchange Authorities.

The foreign owner can freely dispose of such an account within Germany. The exchange of a free Reichsmark credit into foreign currency needs the permission of the Foreign Exchange Authorities.

II.—Credit Blocked Accounts (*Kreditsperrmark*).

These are created by

- (a) proceeds from the sale of inland property ;
- (b) proceeds from repayments of loans, mortgages, etc., which were granted by a foreigner before the 16th July, 1931 (in the case of a foreign bank before the 9th October, 1931), and which are not governed by a Standstill Agreement.

Credit blocked accounts can, without special permission, be used to purchase German Reichsmark securities (with certain exceptions, e.g., Reichsbank shares, Young Loan, Foreign Mark, Mortgage Bonds).

Every other withdrawal from a Credit blocked account needs the written approval of the competent Foreign Exchange Office which will, as a rule, be given for the following purposes :—

(i) For long term investment in Germany such as on mortgages ; purchase of real property etc. If the mortgage is repaid or the property sold the proceeds must be paid back into a credit blocked account again.

(ii) To pay expenses of a non-business journey to Germany of the original holder of the account, members of his family and suite up to a maximum of RM.2,000 per person per month. The journey may only be for holiday or health reasons and the amount released must actually be used for travelling expenses within Germany. Credit blocked accounts may be used for expenses of a stay in Germany for study purposes but not for business purposes.

(iii) Gifts by the original holder of the account for personal assistance of relatives or for subscriptions to social, religious or other bodies, or for appropriate grants to persons entitled to assistance in Germany.

(iv) Payment to German residents of costs connected with the creation or administration of the blocked account (Court fees, legal charges, bank charges etc.).

(v) Payment of taxes of the original holder of the account.

(vi) For the payment of 25 per cent. of the invoice price of new orders of German goods or for services of firms in Germany for the account of the original holder of the account. The remaining 75 per cent. of the invoice must be paid in foreign currency or free Reichsmark. Permission to use blocked credits in this way is not given for goods to be exported to

the United Kingdom, Finland, France, Italy, the Netherlands, Austria, Roumania, or Switzerland, owing to certain provisions in the Payment or Clearing Agreements which have been entered into with these countries.

III.—*Note Blocked Account (Notensperrmark).*

These are created by Reichsmark Notes which are sent to Germany with instructions to pay them into a blocked account. Under a law dated 6th December, 1935, it is forbidden to bring Reichsmark notes into Germany from abroad to an amount exceeding RM.30, except for payment into such a blocked account.

These Note blocked accounts can, without permission, be used to purchase German securities (with certain exceptions). With the permission of the Foreign Exchange Authorities these accounts may be used to a limited extent as follows :—

(a) for loans on mortgage, or loans to residents in Germany or participation in German firms or Companies, in each case for at least five years;

(b) for part of the purchase price of real property. Dealings in the property can only be effected by permission of the Foreign Exchange Authorities.

Note blocked accounts are, in principle, on the same footing as credit blocked accounts held by a person other than the original holder. If real property is purchased with these blocked mark notes, at present 50 per cent. of the price must be paid in foreign currency, and in the case of new buildings at least 25 per cent. of the costs must be provided in foreign currency.

IV.—*Old Credits (Altguthaben).*

Old Credits are bank deposits of a foreigner in Reichsmark or foreign currency which existed prior to the 16th July, 1931, and which are not the subject of a Standstill Agreement.

These blocked accounts can be utilised in the same manner as credit blocked accounts, see Paragraph II above, except that only 25 per cent. of the amount standing in the account on the 1st April, 1932, can be dealt with unless the Bank at which the Account is held gives permission for the utilisation of a further 25 per cent. At intervals of at least six months 25 per cent. of the balance due at 1st April, 1932, can be utilised in the manner set out in Paragraph II provided the Bank gives its approval.

V.—*Emigrant Credit Accounts (Auswanderersperrmark).*

These are credits in a bank of a person who has given up his residence in Germany and removed abroad since the 3rd August, 1931. Repayments of loans, payments of claims, proceeds of sale of property which accrue after emigration are also paid into the Emigrant credit account. The use of such blocked accounts is limited in a similar manner to credit blocked accounts under Paragraph II hereof.

VI.—Securities Blocked Accounts (Effektenspermark).

These arise from proceeds of sale of securities (except German Foreign Loans). Where the blocked account arises from proceeds of securities which were the property of the foreign owner on the 15th April, 1932, it may be utilised roughly in similar manner to Credit blocked accounts under Paragraph II. Security blocked accounts which have been bought or otherwise acquired since the above mentioned date, cannot be used to purchase long term investments other than German inland shares and securities.

VII.—Special blocked Accounts (Sonderkonten).

With the permission of the Foreign Exchange Authorities, interest and dividends, rents and other similar regular payments as well as regular amortisation payments from deposits, credits, mortgages, participations in firms, or loans, may to an appropriate amount be paid into a special account in a Bank authorised to deal in foreign exchange, instead of the normal payment into the Conversion Office (see below).

Special blocked accounts may be used, without further permission, by the foreign owner of the account for making the following payments :—

(a) gifts to relatives for personal financial assistance, or to social, religious or other societies, or for an appropriate amount to persons in Germany with a proper claim to support ;

(b) for services rendered by German residents in connection with the creation and administration of the account or other blocked money or property in Germany (e.g., court and legal fees, bank charges, etc.).

(c) payment of taxes on the holder's capital or income in Germany ;

(d) travelling expenses on a non-business holiday in Germany for the holder, members of his family and accompanying servants up to RM.2,000 per person per month.

The Foreign Exchange Authorities may authorise other payments within Germany but not payments for goods, nor for loans or investment in landed property or in business.

Interest and dividend payments may only be paid into a Special Account if the securities for which the interest is payable were the property of the holder of the Account before the 15th April, 1932.

VIII.—Conversion Office Credits (Konversionsguthaben).

Conversion Office Credits are created by payments of interest, dividends, regular amortisation payments, rents and similar regularly recurring payments arising from deposits, credits, loans, mortgages, participations in businesses and other investments of foreigners in Germany where the capital was in Germany before

the 16th July, 1931. Payments have normally to be made by the German debtor to the Conversion Office. In respect of interest, etc. (but not amortisation) payments received, the Conversion Office offers British creditors 4 per cent. Funding Bonds maturing on the 1st January, 1945, on the understanding that the acceptance of the Funding Bonds is in full settlement of any coupons, etc., funded. Where a foreign creditor does not wish to accept Funding Bonds his credit in Reichsmarks remains with the Conversion Office, but earns no interest. In special cases permission can be given to use these credits for payments within Germany for taxes, non-business travelling expenses or gifts to needy relatives.

IX.—Clearing Agreement Accounts (Verrechnungsmark).

Germany has concluded Clearing Agreements with practically every European country and several countries overseas. These agreements provide for a mutual clearing of the claims for exports. Payment in Reichsmarks is made into the Reichsbank to the credit of the National Bank of countries with which Clearing Agreements have been made for imports from those countries. The Reichsmark credits are then used to pay German exporters for their exports to the same countries. A similar procedure is followed in the other country. Conversions between Reichsmarks and the currency of the other country are made at the official rate of exchange in the case of strict clearings, but there are some exceptions where the Reichsmarks are disposed of at a discount.

X.—Foreigners' Special Accounts for Inland Payments (ASKI—Auslaender-Sonderkonten fuer Inlands-Zahlungen — Aski-Mark).

These accounts are opened at German banks with the permission of the Foreign Exchange Authorities in the names of foreign firms trading with Germany for the acceptance of Reichsmarks in payment of exports to Germany. The foreign firms are then allowed to pay for one-third of the value of German goods which they purchase from credits in the account on condition that the balance is paid in free foreign currency. This form of account is no longer permitted in Anglo-German trade, and is restricted to very small classes of goods in trade to many other countries. With certain foreign countries, however, Aski accounts are used as the basis of the whole mutual trade, and the Aski-Marks are normally sold at a discount.

XI.—Register Mark Credits (Register-Mark).

These arise out of short term credits made by foreign banks before the 1931 crisis, which are subject to the Standstill Agreement made between the foreign bank creditors and the German bank and other debtors. These credits can, under certain conditions, be called up for payment in Marks, called Register Marks. Register Mark Credits can be utilised for investment within Germany, for tourists' expenses (see below) and for certain other purposes.

XII.—Tourist Special Accounts—Register Marks—Travel Marks (Register- und Reise-Mark).

According to regulations issued by the Reichsbank, foreign bank creditors and other authorised institutions, including foreign travel agencies, may acquire Register Marks, pay them into Tourist Special Accounts, and sell "Travel Cheques" or letters of credit drawn on these accounts to foreign travellers to Germany. The latter may cash such cheques in Germany up to an amount of RM.50 per day; in special cases where a letter of recommendation is granted RM.100 per day may be drawn. Such letters of recommendation are not valid for frontier districts. Marks obtained by cashing these cheques may only be used within Germany and for the following purposes:—

- (a) Fares on German railways, motor traffic concerns and inland shipping companies for journeys within Germany.
- (b) Reservation of accommodation on German and foreign marine and air vessels for journeys to and from Germany.
- (c) Hotel expenses, etc.

Foreigners staying in Germany for study purposes may, with special permission, draw Register or Travel Marks.

Register and Travel Marks not spent before leaving the country must be sold to a foreign exchange bank. They cannot be taken out of the country.

XIII.—“Non-interest bearing Reichsmark Trustee Credits” and “Tourist Special Account II.”

Interest payments on Dawes and Young Loans, in so far as they are not dealt with in Transfer Agreements made with different countries may be paid into a non-interest bearing account with the "Treuhandgesellschaft von 1933 m.b.H." in Berlin. Credits in this account may be used, with the permission of the Reichsbank for the following purposes:—

- (1) For the purchase of German bonds and shares which are quoted on a German Stock Exchange in terms of Reichsmarks.
- (2) For investment in long term loans and mortgages.
- (3) For the acquisition of landed property within Germany or for other property with the approval of the Reichsbank.
- (4) For the payment of expenses for a temporary visit in Germany.

Claims against the "Treuhandgesellschaft von 1933 m.b.H." in Berlin are transferable. Persons or firms allowed to have a Tourist Special Account as set out in Paragraph XII may acquire claims for interest on Dawes and Young Loans and, with the permission of the Reichsbank, have them paid into Travellers' Special Account II. Credits in this account may be used for the same purpose as the Tourist Special Account (Register Marks), with the exception that Tourist cheques may not be drawn against this account.

III—EXPLOITATION OF NATURAL RESOURCES

CHAPTER VI

General Policy and Review of Recent Developments in Respect of Natural Resources.

National Socialist Germany's policy in regard to the natural resources of her territory is determined on the one hand by the axiom that the rural population is the backbone of the nation and, on the other, by the pursuit of national economic self-sufficiency as an ideal. A corollary of the policy of the maintenance of a strong, healthy and independent rural population as the backbone of the nation is the establishment and maintenance of a proper economic status for that population within the nation. It is clear, therefore, that the social and economic aspects of the general policy dovetail remarkably well, once considerations arising from classical economic precepts about the advantages of world trade are relegated to the background. In Germany circumstances have conspired so to relegate them. Consequently social and other national considerations making for ever increasing domestic productivity of all raw materials take precedence of profitability in a world trade sense.

In Germany as elsewhere the years of depression since 1929 bore particularly heavily on agriculture and, as elsewhere, created a notorious gap between the relative price levels of agricultural and industrial products. One of the tasks of the National Socialist Corporative Organisation created to deal with agricultural matters has been to close that gap, for it was recognised to be detrimental not only from a purely economic standpoint, but also for social and political reasons. The measures of market regulations and price control which were taken have been successful; so successful in fact that early in 1936 authoritative economic reviews were able to assume that the gap had been closed, and that the Agricultural Estate could desist from further efforts to raise the prices of agricultural products. Shortage of most agricultural products rather than any surplus had by then become more often the rule, and, as the following table shows, prices were well in advance of—in some cases several hundred per cent. above, world prices:—

GERMAN AND WORLD WHOLESALE PRICES OF SOME IMPORTANT AGRICULTURAL PRODUCTS.

November, 1935.

(Per metric ton, in Reichsmarks).

	<i>German Wholesale Price.</i>	<i>World Wholesale Price.</i>
Wheat... ..	211·5	72·4 (London)
Rye	167·0	58·5 (Posen)
Barley... ..	199·1	50·7 (London)
Rapeseed	320·0	157·2 (London)
Flax-seed	260·0	148·2 (London)
Wool	6,580·0	1,441·2 (London)
Pork	1,420·0	922·1 (Copenhagen)
Sugar	406·8	104·8 (London)
Butter... ..	2,540·0	1,206·4 (Copenhagen)
Eggs	10·0*	7·1 (Copenhagen)

* Per hundred.

Even allowing for the over-valuation of the Reichsmark, which gold parity on the date in question necessitated, the disparity between internal German and world prices is very great, and it is clear that so long as Germany engages in foreign trade, this disparity must have some reflection in the standard of living of the German people and/or in the export ability of German industry.

Between 1933 and 1935 the agricultural *producer* price level rose by over 40 per cent. The *wholesale* price level for agricultural products rose from an index of 80.8 in January, 1933, to 104.8 in February, 1936. The agrarian measures taken by the Government since 1933 seem on the whole to have benefited large-scale producers, who were able to take full advantage of the new policy at once, more than the ordinary run of small farmers. Improved economic conditions in the agricultural population have had favourable internal commercial repercussions. Sales of agricultural machinery are said to have risen from a low point of some RM.103 million in 1932 to RM.220 million in 1935. It is also calculated that RM.230 million were spent in new buildings by farmers in the seasons 1933-4 and 1934-5. Fertiliser expenditure for the season 1933-4 was RM.570 million and a year later RM.636 million. Power is also being increasingly used on German farms. It is claimed that four out of every five German farmers have access to electric light and power, as compared with one farmer in eight in the U.S.A. One million farmers, i.e. two out of every five, have one and a-quarter million electric motors in operation. Two-thirds of German threshing is done electrically, and much of the pulping, slicing, grinding, pumping and conveyor work is also power-driven. In fact the German agricultural industry is carried out on very modern scientific lines within a national scheme for the systematic adjustment of agricultural supply to demand (*geordnete Bedarfsdeckung-Wirtschaft*).

By the end of 1935 it could be claimed that 80 per cent. of all food and fodder consumed in Germany was domestically produced and that only one German in five was dependent on foreign sources for sustenance. In 1935 the export surplus of finished goods was just a little more than the import surplus of agricultural raw materials measured in German money values. In respect of food-stuffs a very heavy reduction of imports has been effected since 1927, and imports of other agricultural raw materials have been halved in value though not in volume since 1929. They have shown a slight increase by value in 1934 and 1935 on the low point reached in 1932; volume has not been appreciably reduced.

That imports of finished goods should be regarded as undesirable by a highly industrialised nation is a commonplace; that imports of raw materials should also come to be regarded somehow as an evil to be combated in the economic system is a feature of the vicious spiral in which Germany's economic relations with the outside world have moved since 1929. In Germany as nearly everywhere

else in the world the idea of economic self-sufficiency is deprecated, by most people as impracticable and by some as undesirable. And in Germany, as elsewhere, it is ardently pursued in practice and statesmen who view with alarm and consternation the tendency towards economic nationalism in other countries point with pride to its progress at home. Protests of unwillingness to engage in the process are as loud as the process itself is relentless in its advance, and the accumulation of interests which for their own special reasons favour progress towards national economic self-sufficiency are, in Germany as elsewhere, much more potent than the comparatively abstract interest represented by the economic welfare of the world as a whole. The military, agrarian, social, and financial (currency) interests of the nation reinforce each other in the development of an autarchic economic regime to the point that probably nowhere is the present trend towards a world of distrustful economically self-sufficient states better exemplified, in both its active and passive aspects, than in Germany. Pressure for, and progress towards, economic self-sufficiency are in striking evidence.

It would be difficult and perhaps otiose to attempt to assess the proportions of total responsibility falling to each of the factors making for autarchy named above, but although a large share falls to developments arising from currency transfer difficulties and thus gives the Acting Minister for Economic Affairs some grounds for the statement that Germany's advance towards autarchy is forced upon her by the economic selfishness of the rest of the world, there is no question of that being the whole truth. In economic nationalism in agricultural matters, for example, Germany has been a pioneer. Since 1933 impetus has been added to the movement and in 1936 it can be said that there is no import which is not being attacked from some angle by proponents of the doctrine of autarchy.

CHAPTER VII

THE AGRICULTURAL ESTATE

Its Structure, Functions, and Economic Aims.

The Agricultural Estate (Reichsnährstand; literally Reich Nutrition Estate) was the first corporative organisation to be instituted by the National Socialist Government. It has its legal basis in a law dated the 13th September, 1933, empowering the Reich Minister for Food and Agriculture to make provisional arrangements for the creation of an Estate of Agriculture and to subordinate agricultural organisations, individuals, and trade thereto. The organisation brought into being on this authority is a self-administrative statutory corporation and includes in its membership, which is compulsory, all the individuals, functions and organisations concerned in the production and distribution of agricultural

commodities in Germany. Its expenses are chiefly met by levies and fees paid by members. Payment of fees and levies assessed on members is enforceable by distraint. On the production side it covers not only farming proper, but forestry, market-gardening, fisheries, game questions, viticulture and the smallholder industries; on the distribution side it includes all persons, firms and associations engaged in the processing of or trade in agricultural products, as well as agricultural co-operative societies. Processors, such as millers, brewers, bakers, confectioners and butchers not only belong to the Agricultural Estate, but also to the Estates of Handicrafts, or Industry and Trade. The Agricultural Estate is, however, competent for all matters affecting production, sales and prices of their products.

The offices of the Estate are in Berlin. At its head is the Reich Farm Leader who actually, but not of constitutional necessity—is also the Reich Minister for Food and Agriculture. The Estate headquarters do not duplicate the Ministry for Food and Agriculture; the latter continues to exercise the State administrative functions over agricultural and food supply matters which fall to it by law, while the former is conceived rather as the co-ordinated self-expression of the members of the Agricultural Community and the commercial bodies and individuals closely concerned with agricultural products. There are far-reaching possibilities in this distinction of function, for action by the Estate partakes of a certain voluntary status distinct from the internationally recognised compulsion and national responsibility of State legislation. The leadership principle of National Socialist doctrine dominates the Estate in both its regional and functional structures (see illustrative chart). The Farm Leader is head of all departments, officials, employees and members of the Estate; his authority and responsibility are personal and supreme. He has an Advisory Council of about 100 members appointed by himself; and there is, in addition, a Farm Committee (Reichsbauernthing) comprising about 1,000 local, district, and regional leaders selected by the Farm Leader. This Committee is responsible for all arrangements in connection with the Farm Congress (Reichsbauerntag) which so far has been held annually in November at Goslar. The Farm Leader has a chief permanent deputy (Reichsobmann), but the heads of the Policy Department (Stabsamt) and of the Administrative Department of the Estate may also act as his deputies. The Policy Department deals in seven sections with economic, legal, racial, press, propaganda, tradition and development, and international questions respectively. The Administrative Department has three Main Sections dealing with I. The Man, II. The Farm and III. The Market, and another section for questions of finance and personnel.

Section I, which has its headquarters at Goslar, deals with personal relationships (e.g. as between employer and employee, lessor and lessee), mental and moral welfare questions, preservation of country customs, racial questions with reference to new settlements, etc. Section II co-ordinates the functions once exercised by Chambers of Agriculture and Agricultural Councils in respect of administrative and scientific work for the furtherance of individual branches of agriculture, research, land improvement, forestry, farm management, technical training, taxation, shows, etc. Section III centralises the work of the co-operative societies (the famous Raiffeisen Society still exists as an audit body only). The actual market regulation and the administration of marketing control schemes are dealt with by nine Central Marketing Associations (Hauptvereinigungen), the working of which is described in Chapter 8. Section III is strongly represented throughout the sub-divisions of the territorial organisation of the Estate, market control being of course a keystone of policy and an essential to discipline.

In its territorial organisation the Agricultural Estate comprises the following 20 Regional Associations (Landesbauernschaften) :—

	<i>District.</i>	<i>Seat.</i>
Baden	Karlsruhe.
Bavaria	Munich.
Brunswick	Brunswick.
Hanover	Hanover.
Hesse-Nassau	Frankfort.
Kurhessen	Kassel.
Kurmark	Berlin.
Mecklenburg-Lübeck	Rostock.
Oldenburg	Oldenburg.
East Prussia	Königsberg.
Pomerania	Stettin.
Rhineland	Bonn.
Saxony (Free State)	Dresden.
Saxony (Province)-Anhalt	Halle.
Silesia	Breslau.
Schleswig-Holstein	Kiel.
Thuringia	Weimar.
Westphalia	Münster.
Württemberg	Stuttgart
Saar-Pfalz	Kaiserslautern.

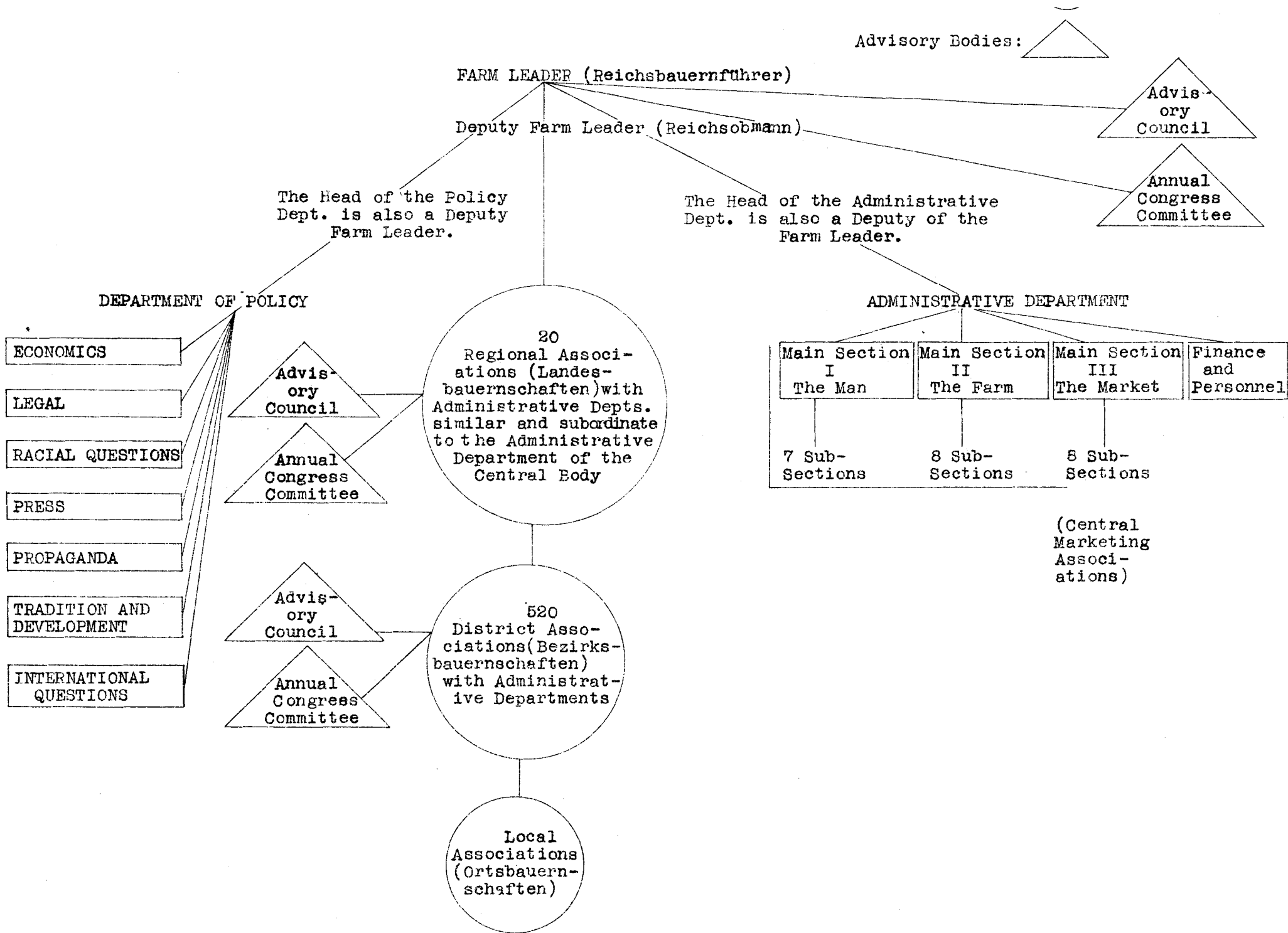
These regions correspond to the districts of the former Chambers of Agriculture. Each Regional Association has an Administrative Staff on the same lines as that of the Estate headquarters, but there are no Policy Departments outside Berlin. Regional Associations in turn comprise 520 District Associations (Bezirksbauernschaften). The average number of districts per region is 26; Hanover has, however, 50 districts, and Brunswick only six. The District Association has an administrative staff similar to that of the parent associations and is sub-divided into Local Farm

Associations (Ortsbauernschaften). The Leader of a Local Farm Association is also usually the local Party leader.

The Agricultural Estate has made much more progress in the establishment of itself as a corporative scheme and in the execution of practical policy than has its sister organisation of Industry. In the closeness of its network and the efficiency of its control of products and individuals it is a model of National Socialist State policy; the rigour of its discipline and organisation has been a partial bulwark against unfavourable reactions arising from the economic consequences of some of the policies put into execution. For example, the shortages of butter, meat and eggs which successively manifested themselves from the autumn of 1935 onwards were serious, and undoubtedly gave rise to considerable popular discontent. Nevertheless, the marketing regulations and control of prices were maintained intact, where necessary by drastic and forcible measures, and the population was given to understand that further hardships might be expected and would not deter the authorities from a pursuance of the general policy embodied in the creation and maintenance of the Estate on declared lines.

One of the chief tasks which the Agricultural Estate has set itself is a reduction, by means of a "Battle of Production," of the dependence of Germany on foreign sources for fodder, fats and some textile materials. Progress with measures of this nature and autarchic developments in general are dealt with in subsequent Chapters of this section of the Report, and here it is enough briefly to refer to the problems to which the Agricultural Estate is specially devoting itself. One-eighth of Germany's needs of animal fodder still comes from foreign sources, but it is held that by means of land reclamation, increased meadow cultivation and use of fertilisers, the rationalisation of potato crops, a more extensive use of sugar, increased cultivation of rape and flax crops, and a greater degree of co-ordination in cereal farming, domestic production could be raised to a level at which imports would not normally be required. The deficiency in fats is much more serious; it amounts to about half of German requirements. By an increase in the livestock population through increased fodder production, by intensified milk control and by breeding of fatter types of pigs it is thought that the deficiency can to a great extent, if not completely, be made up. Similarly, the domestic production of materials for textiles is being fostered by word and deed of the Agricultural Estate. The domestic wool clip is to be steadily raised; the area under flax cultivation has been enormously increased in the past three years, and increased hemp cultivation is also encouraged.

The foregoing is an outline of the structure, function and policy of the Agricultural Estate in its economic aspect. The Estate has also important spheres of activity in respect of social policy, land



tenure, population policy, which are dealt with under the relevant headings elsewhere in this Report.

CHAPTER VIII.

AGRICULTURE (*Continued*).

Marketing Regulations and Price Control of Agricultural Products.

The German system of agricultural market regulation and price control is complicated, and for purposes of this Report it is unnecessary to attempt a full description of the bureaucratic machinery involved. But before going on to a description of the method and effects of market control on 11 major agricultural commodities, it may be of interest to give a brief summary of the general principles and machinery by which market regulation and price control are effected. The Market Section of the Administrative Department of the Agricultural Estate comprises nine Central Marketing Associations, (controlling Grain, Cattle and Meat, Milk, Potatoes, Eggs, Market Garden Produce, the Brewing Industry, Sugar, and Fish respectively), a Fodder Control Office, a Commissariat for Wool, Silk and Vegetable Fibres, and the Association of Farm Co-operative Societies. The Central Marketing Associations are in turn represented by regional associations in territorial divisions approximately those of the regions of the Agricultural Estate. In addition to this marketing regulation organisation of the Agricultural Estate, there are four Government Monopolies (Reichsstellen) for Grain and Fodder Products, Animals and Animal Products, Oils, Fats and Dairy Products, and Eggs respectively, which play an important part in the general scheme. The Central Marketing Organisations deal only with the production and distribution of domestic production of their respective commodities; questions of reserves and the adjustment of national supplies through imports and exports are dealt with by the Government Monopolies under the Ministry of Agriculture. There exist also marketing associations such as those in the margarine and mixed fodder products industries, which have not the same degree of perfection of vertical control from prime producer to final consumer as the Central Marketing Associations and are really compulsory cartels. To a certain extent they are an intermediate stage looking to the creation of central marketing associations if and when necessary. Lower still in the scale of organisation there are commissioners (Reichsbeauftragte) for certain products, who are charged with the preliminary organisation of market regulation. The nine Central Marketing Associations control their respective commodities from the earliest stages of production to the point of retail sale. At the consumer end of the control scale there is retail price control over bread, potatoes, milk, butter, eggs, and margarine, and also marking regulations enforcing standards of quality for butter, flour, bread, cheese, eggs, vegetables, fruit, fish,

and proprietary animal foods. Price control is exercised in the cases of some commodities and at certain stages of their progress through the markets by a compulsory system of duplicate invoices, one copy of which has to be filed with the Central Marketing Association concerned. Common features of all these associations are the prohibition, except under licence, of new enterprise, establishment of production quotas where applicable, and grading regulations. There are also a multitude of minor compulsions in industries subordinate to the Agricultural Estate which have as their object assistance to domestic agriculture. There are prescriptions for certain bakery products; the use of imported products is restricted, e.g., home produced sugar and milk must be used in a certain minimum proportion in cocoa and chocolate manufacture. The regulations governing the whole confectionery industry are, indeed, conceived entirely on the principle of encouraging the use of home grown products.

Grain.—The regulations affecting food-grains are the most complicated and the most thorough of all. They may roughly be summarised as exercising a duplicate control over volume and price respectively. To each of the two million farmers concerned there are assigned quotas of rye and wheat, which must be delivered annually together with the stamps which represent the units making up the quotas called for and serve as a passport for the quotas of grain in question as a part of the nationally planned food-grain *quantum*. Similarly, quotas are assigned to the flour millers, and control is exercised by means of lead seals on the sacks which correspond in function to the stamps issued to the farmer. Price control consists of a system of fixed prices varying by regions according to local conditions and transport costs, and rising gradually each month from the low point after harvest according to estimated warehousing costs. Millers must keep a stock of grain on hand equivalent to one month's milling needs. Flour prices are also fixed by specified districts, and there are very rigorous regulations regarding the degree of grinding and the prices to be charged for by-products. The baker in his turn is bound by fixed prices for flour and by fixed prices for bread. It is a fact that by dint of these regulations and of a system of compensatory levies, bread prices have been kept stable for the past three years although wheat and rye prices have steadily risen. Bread itself has been standardised into five types:—Rye, rye mixed, wheat mixed, wheat, and special. It is not acknowledged that there has been any deterioration of quality as a result of price policy.

Rye and wheat produced in excess of the quotas assigned to a farmer as his share of production of the national bread grain supply may be classified as fodder, and can then be sold without quota stamps. There are fixed prices to producers for all fodder-grains, but the distributing trades are not so closely bound as in the case of bread-grains. So-called industrial grains—chiefly barley for brewing—are completely free of marketing restrictions.

Cattle and Meat.—The Central Association of the German Cattle Industry is the body entrusted with the regulation of meat production and supply; Government guarantees amounting to R.M.30 million are available for this purpose during the financial year 1935-36. Like the other major Central Marketing Associations, it has subordinate regional branches which control the principal meat markets of Germany. That the power of intervention of Government in the industry is meant to have practical effects is clear from events in the summer of 1934, when fodder shortage, or the fear of it, threw great quantities of cattle and pigs on to the meat market. The Government, through the Monopoly, then entered the market as purchasers, and subsequently disposed of the pigs partly as fat for neutral lard and partly with the beeves as tinned meat at competitive prices under the sales slogan of "meat in its own juice". In 1935 there was a shortage of meat instead of a surplus, and strong measures had to be taken by means of quotas, fixed prices, and vigorous police measures, to prevent panic increases in prices. It became necessary to put all slaughterings—individual slaughterings in the country as well as large-scale slaughterings in the city abattoirs—under control. Fixed prices for beeves and pigs are determined for each of the principal meat markets, and local markets are obliged to work on a price basis a fraction lower than that accorded to the main market of each district. Wholesale and retail prices are fixed for the chief categories of meat and are controlled by the various guilds concerned and by local authorities within the marketing system. The shortage in supplies in 1935 also led to a prohibition of the slaughter of young pigs and oxen, the importance of counteracting the decline in stocks having been recognised. Another measure which well exemplifies the detail and extent of governmental intervention is the system of Government Fattening Contracts. By these contracts farmers secure fodder from Government sources in return for the delivery by a certain date of a certain weight of fat stock, the advantage to the farmer being that contract terms offer a bigger margin of profit than if he bought the fodder and sold his fat stock also at ordinary fixed prices.

German meat consumption in 1934 per head of the population was :—

		<i>Kg.</i>	<i>Per cent.</i>
Beef	... ..	15·1	27·7
Veal	... ..	3·3	6·0
Pork	... ..	34·9	64·1
Mutton	... ..	0·6	1·1
Goat	... ..	0·2	0·3
Horse	... ..	0·4	0·8
		<hr/> 54·5	<hr/> 100·0

The very small consumption of mutton is as noteworthy as the preponderant place accorded to pork. This preference has an

important bearing on questions of land utilization, fodder production etc. dealt with elsewhere in this Report.

Milk and Milk Products.—The Central Association of the German Milk Industry has regional, district, and local organisations similar to those of the other major corporative market regulation systems. The Government was authorised to guarantee the marketing regulation system for milk fats and other fats up to RM.20 million during the financial year 1935-6. There are in addition municipal milk supply associations and, for the co-ordination of imported supplies with domestic production, the Central Government Monopoly Office for Milk Products, Oils and Fats. The general principle on which the supply of fresh milk is regulated is that of independent districts of supply and demand within which quotas are distributed to producers and distributors respectively. There is a strict scale of prices governing the traffic in milk at each stage of its journey from the farm, through the creamery, the city distributing centre, and the dairy, to the consumer's door. The result is that producer prices have risen, but consumer prices have not been increased—in some cases they have been reduced. Milk for processing into butter, cheese or other milk products is dealt with separately according to whether it comes from one of the close control districts or not. In the close control districts farmers must deliver all milk for processing to the creameries and may make butter only for their own domestic use. The producer and supplier of fresh milk for consumption as such pays a levy, half of which goes to compensate the producer and supplier of milk for processing for the lower price obtained. Butter and cheese are subject to fixed prices and to marking regulations in respect of standards of quality. There are five qualities of butter permitted on the market and cheese is classified according to fat content of the different varieties. Prices are fixed for butter at each stage of its journey from the creamery to the consumer, and there are also fixed prices for home-made butter coming from districts not under close control. As a measure to counteract seasonal price variations resulting from fluctuations in the volume of milk supply, the Control Office for Milk Products stores butter for winter distribution. Recent experience has, however, shown that it is not always possible fully to provide in advance for contingencies arising from changes in popular demand occasioned by factors outside the normal economic development contemplated by the administrators of such a market regulation system. For instance, the butter shortage of the autumn of 1935 was in some quarters alleged to be the direct cause of a subsequent egg shortage, disappointed candidates for butter in the retail market having turned in marked degree to increased purchases of eggs.

Potatoes.—For purposes of market regulations potatoes are divided into three categories, edible, fodder, or industrial, according as they are intended for human, animal or industrial consumption.

Potatoes for human use are again sub-divided into early and autumn varieties, the former being regulated in some regions particularly severely in that producers must deliver to local collecting stations and not direct to the distributing trade. Local collecting stations are themselves subject to the control of district stations, and the whole system is co-ordinated in theory in such a way that nowhere can a glut and consequent price panic arise. This very strict system applies only to districts in which early potatoes are specially and chiefly cultivated; in others control over the early potato crop is limited to compulsory registration of sales with a local control office. Prices are fixed by the Central Association from time to time and there are also provisions for grading and enforcement of quality standards. The regulations governing the autumn crop of potatoes for winter storage are less severe. Producer prices are fixed according to two zones only, one east of the Elbe and the other west of it, subject to minor modification according to transport conditions. Industrial potatoes must be sold at a price determined by the starch content, and potatoes for fodder are free from all restrictions other than sales registration for purpose of statistical control and inspection, if necessary, by the Marketing Association.

Eggs.—A similar system of central, regional, and local associations governs the marketing of eggs. The Government was authorised to guarantee up to RM.25 million in 1935 and up to RM.40 million in 1936. A reduction of the margin of seasonal price fluctuation was a main object of the system of control. The provisions of the original scheme were so detailed and onerous that it threatened to break down, and had hastily to be slackened at several points of tension in order to allow distribution to be continued. The regulations now vary in strictness of control according to season; in summer it is only consignments of over 20,000 eggs *per diem* which are subject to control in the various egg marketing districts whereas in winter consignments of as small a volume as 5,000 per week are subject to the regulations. Price control is strict; the producer is paid by weight, but wholesale and retail prices are listed in Pfennigs per egg according to quality grade. Grading takes into account both quality and size. Retail prices may not exceed wholesale prices by more than 1½ Pfgs. for fresh eggs and 2¼ Pfgs. for eggs from storage. As in the case of the sister organisations for the control of meat, milk products etc., the Central Marketing Association for Eggs works in close touch with the Monopoly Office of the Ministry of Agriculture, which regulates and licences imports, makes on occasion purchases on its own account, and generally stores supplies for later use. In addition to eggs, the Association includes Poultry and Honey within the purview of its regulatory powers.

Fruit, Vegetables and Wine.—The multitude of marketing regulations which have been made for horticultural and market garden

produce corresponds to the variety of products. In some cases control is as strict as in the case of the system, described above, applied to early potatoes; in others control is limited to the necessity of keeping a record of production and sales and to fixed producer prices. The Central Marketing Association has, in conjunction with Import Control Office No. 6 (Market Garden Products) the task of adjusting the prices of imported goods—chiefly from the Netherlands—to the much higher German price level. In Rhineland and Westphalia, where special conditions obtain, there are local restrictions obliging the producer to deliver at specified collecting stations which are empowered to regulate supply, price, and quality according to demand. With regard to the viticulture of the Rhine, Moselle and Neckar valleys, the object of the marketing regulations has chiefly been to ensure minimum prices, for a series of good years has threatened to make the industry quite unprofitable.

Domestic production of vegetables covers 95 per cent. of consumption; of fruit about 90 per cent.; of pulse, however, only about 45 per cent.

Hops.—The market in hops is regulated by a Central Association of the Brewing Industry with five regional divisions. Hop production is subjected to a strict quota system. Control extends even to the preparation of arable land for hops cultivation. The Central Hops Association of Nuremberg, an organ of the Central Marketing Association, has complete control of the export and import of the product as well as of domestic production. Beer production has fluctuated heavily since 1929, the principal figures being:—

1928	...	...	...	...	...	56	million	hectolitres.
1932	...	...	...	...	...	33	"	"
1935	...	...	...	...	...	40	"	"

The value of the industry to agriculture has correspondingly fluctuated between RM.500 million in 1929 and about RM.270 million in 1935.

Sugar.—The marketing regulations for the sugar industry include compulsory production quotas for beet growers, minimum and maximum prices to be paid by the sugar factories to beet growers, standardised delivery terms, and some institutions of lesser importance inherited from the compulsory cartel which formerly regulated the industry. The new regulations cover more ground than those of the cartel, for fodder by-products are included within their purview. They also control trade terms and working conditions as between raw sugar factories and refineries. Over 10 million tons of beet are processed annually and the sugar consumption in Germany is at present about 24 kg. per head per annum, having dropped from 26.50 kg. in 1929. Total sugar production in the 1934-5 season was about 1,680,000 metric tons; domestic consumption is about 1,500,000 tons; reserve supplies are built up by compulsory stocks held by manufacturers.

Fish.—The Central Marketing Association of the German Fish Industry has promulgated market regulations by which minimum prices are fixed for auctions at the sea ports and for the wholesale trade. There is also an office established at Hamburg which endeavours to co-ordinate the marketing of catches in such a way as to direct incoming supplies towards the channel of consumption where they can best be used at the time. The regulation of supplies includes an ordinance prescribing that until 30th September not less than 50 per cent., and from 5th October till the end of the season not less than 60 per cent. of the trawler fleet shall be employed on fresh fish catches. Compulsory marking regulations have been introduced. The Association also has duties and opportunities in its capacity as consultant on questions of imports and distribution of national supplies with the Government Monopoly Office for Animals and Animal Products of the Ministry of Agriculture.

Fodder.—The administration of the regulations governing the marketing of fodder grains, bran, potato flakes, etc., is centralised on the Fodder Office of the Agricultural Estate where all the marketing associations governing fodder products are represented. One of the chief tasks of this Office is the distribution of the total supplies from all sources of oil cake according to a quota system, which till early in 1936, when a relaxation took place, was so detailed as to specify the share of each individual farmer. Prices are fixed for each stage of distribution for all these products and also for imported fodder such as maize, locust beans, rice, meal, fish meal and greaves. Through the Monopoly Office for Grains and Fodder very close control of all national supplies is exercised and consumption can be directed to or from any given commodity according as policy demands. In this way native-grown barley or surplus wheat and rye can be exploited as fodder to a certain extent at the expense of the trade in imported goods such as oil cake.

Wool.—The Reich Wool Company (Wollverwertungsgesellschaft) is an organisation under the Agricultural Estate for the purchase and sale of the German domestic wool clip. There are fixed prices for the wool passing through the Company's hands, and as these culminate in a wholesale raw wool price some four times greater than the world market price, movement is only effected by means of indirect compulsion on spinners to use a certain percentage of domestic wool in their products and by exceptional allotments and special rebates to merchants and manufacturers using the home clip. It has also been provided that public contracts for woollen goods requiring the approval of the Ministry for Economic Affairs will get this approval only if the goods contain a certain proportion of German wool.

CHAPTER IX.

AGRICULTURE (*Continued*).**Land Policy ; Land Reclamation ; Settlement Policy ; Agricultural Credits ; Agricultural Labour.**

Land Policy.—The administrative measures that have been promulgated in pursuance of National Socialist land policy can be grouped under four major schemes, one of which, regulation of production and market control, is dealt with in Chapter 8. The others are (1) the organisation of a considerable section of landed property as Entailed Farms, (2) the colonisation of thinly populated agricultural districts with a view to the strengthening of the rural element in the national population, and (3) land reclamation and improvement carried out with the help of the Labour Service Corps and of Reich financial advances.

The Entailed Farms Law of September, 1933, provided for the selection, and registration as Entailed Farms, of holdings up to a maximum of 125 hectares (309 acres) in cases where the holding and its ownership satisfied certain economic and racial criteria. On 1st January, 1936, 605,416 entailed farms were registered, and it was estimated that this number might eventually reach 700,000, i.e. something less than a quarter of the total farmer population of the country. They would hold about 40 per cent. of the acreage belonging to farmers with more than five acres of land each. Property rights in Entailed Farms cannot be sold, mortgaged or distrained upon. Younger brothers of the heir are entitled to vocational training at the expense of the farm and may be favoured as candidates for new settlements. It is clear that the financial restrictions inherent in the scheme are the source of the chief objections to it. It is true that the owner of an Entailed Farm can still mortgage his property after a fashion, but the effect of the mortgage is only to give the mortgagee a certain priority of claim to farm produce and utensils as security, so that in practice he is restricted to credits of a personal nature. The whole scheme has not yet had time to prove its ability to survive the economic test represented by this limitation, but it should be remembered that ordinarily, commercial considerations must take second place in schemes preponderantly social in motive, such as this.

Land Reclamation.—Land reclamation and land improvement schemes continue to occupy a prominent place in German land policy, especially for the reason that several purposes are served by them. Work creation for its own sake has been an important part of the National Socialist Government's economic and social programme; this particular kind of work carries a strong popular appeal, and is well suited to the general constitution and moral background of the Labour Service Corps; and finally any extension of the national arable acreage is progress towards the ideal of

economic self-sufficiency. According to the corporative organisation which deals specially with the general question, expenditure and results have been recorded in recent years on the following scale :—

Development of Land Reclamation 1932-5.

<i>Year.</i>				<i>Expenditure.</i>	<i>Land reclaimed</i>
				<i>R.M. million.</i>	<i>or equivalent.</i>
					<i>(1,000 acres.)</i>
1932	...	...	...	42	192.6
1933	...	...	...	270	1,111.5
1934	...	...	...	382	1,570.9
1935	...	...	...	214	755.8

(R.M. 700 expenditure is deemed equivalent to 1 hectare new land in 1935, and somewhat lower sums in previous years.)

Expenditure on land reclamation by the Reich was reduced in 1935 in favour of the priority which had to be accorded to the national military programme. In August, 1935, the freshly won " Adolf Hitler " polder of about 3,300 acres was taken into cultivation and represented, it was claimed, settlement space for some 90 families. The principal areas of land reclamation activity are in the Ems district (where land improvement is regarded as a means of obviating imports of fresh vegetables from neighbouring and similar soil in Holland), in Brandenburg (Havel and Rhin bogs), in Saxony, East Prussia, Hesse, Hanover, Baden, the Rhineland, and Schleswig-Holstein. Funds for the work which are provided by the Reich in the form of grants or credits are charged against the work creation programme. Latterly there have been suggestions of the eventual necessity of putting work of this nature on a self-liquidating basis. The Labour Service Corps is the principal source of the manual labour required; in 1933 nearly half of the Corps' work was on land improvement and reclamation schemes, and in the autumn of 1935 all of the 182,000 men in the Corps were engaged in one form or another of land work, half of them being on reclamation schemes.

It is estimated that of the 5 million acres of uncultivated moors and waste land in Germany about one-third can be made arable by drainage, and that nearly half of the arable land and grass land might be improved considerably by drainage or irrigation. The problem which hitherto was entirely one of finance, has received a different complexion through the availability of the Labour Service Corps.

Settlement Policy.—The legal basis for the creation and settlement of new farms and rural communities is the Reich Settlement Law of 1919 which empowered the Government to acquire land and settle thereon new colonies of peasant proprietors. The land for settlements was intended to come from the break-up of the large estates, especially in Prussia, and indeed almost 90 per cent. of the land acquired under the scheme since 1919 has come from

that source. Between 1919 and 1932 the average annual acquisition of settlement acreage was something over 160,000 acres. In accordance with National Socialist policy of fostering the rural element in the population, settlement policy and the acquisition of land for colonisation purposes has been speeded up, the figures being : —

1933	...	...	...	...	264,300 acres.
1934	...	...	...	...	356,000 „

The Provinces of the Reich in which land settlement is most actively carried out are Pomerania, East Prussia, Lower Silesia, Mecklenburg and Brandenburg, these being of course also the areas notable for the predominance of large estates as the prevalent form of land proprietorship. Progress with colonisation has, however, also been made in parts of Germany where peasant proprietorship and small holdings predominate, such as in Schleswig-Holstein, Hanover, Oldenburg, Bavaria, Württemberg, and the Rhineland. In 1933 the whole question of land settlement was taken more centrally in hand by the Reich Government and a great reduction was made in the number of companies and associations engaged in land acquisition and settlement work. These now number about 40 and they have representatives of Government and of the Agricultural Estate on their boards. The average size of settlements established in the years 1919-32 was 25 acres; the tendency is upward and small holdings of less than five acres which from 1919 till 1926 represented about half the total have become the exception. By 1931 more than half the new settlements established were upwards of 25 acres. During the years 1919 to 1934 a total of 67,000 small holdings occupying 1,764,000 acres of land were established.

Brief mention may here also be made of the allotment garden settlements, as distinct from agricultural settlements. The Law for reducing Unemployment of the 1st June, 1933, provided for credits for allotment garden settlements around the great cities with the explicit object of giving industrial workers such opportunity as these allotments afford of retaining contact with the soil. A great proportion of the minor domestic animal industry referred to in Chapter 10 is housed in these city allotments; 80,000 settlements had been established up to 1935, in which year RM.70 million were made available by the Reich for the purpose of providing another 65,000 settlements. Employers in industry also contribute to the erection of dwellings on allotment gardens by loans to their workers at low rates of interest.

Agricultural Credits.—Indebtedness has always been a sore spot on the German body agricultural. Although the inflation of 1921-23 almost completely destroyed creditor claims on the land in Germany, agricultural indebtedness speedily grew again and by the time of the financial crisis of 1931 had become a source of care and anxiety. It has been a part of the declared policy of the

National Socialist Party not only to reduce agricultural indebtedness to manageable proportions by closing the gap between agricultural and industrial price levels and by ensuring a proper economic status for the rural population, but also to obviate a recrudescence of the vicious process by putting difficulties in the way of farm indebtedness for the future. The restrictions on the mortgaging of Entailed Farms is one effort in this direction; there are also certain restriction regarding capital indebtedness in respect of new settlements. It is, however, recognised that it is not sufficient to act drastically in a negative direction; the necessity of recourse by the agricultural community to the capital market of the country is recognised, and within limits the use of borrowed capital actually encouraged. The Battle of Production, which is in the forefront of the programme prepared by the Agricultural Estate, could not be entered upon at all without capital advances. Credits are necessary to enable the farmer engaged in this battle to pay more if not higher wages, to buy more fertilisers and more and better agricultural implements. Improvements on farm buildings and new constructions such as silos are urgently recommended, and can usually only be effected by the use of credits in addition to subsidies. There is also the necessity for financing new undertakings of a co-operative nature in connection with the Battle of Production, such as creameries, cheese factories, and flax retting plants. The financing of these institutions is usually a mixture of State subsidy and co-operatively raised credit. It is in connection with the financing of reclaimed land and new settlements that Government money plays the major part, and so far the social and other factors involved have taken precedence over purely commercial considerations such as the probability of a return on the capital outlay.

As far as credits to individual farmers are concerned, the importance of an adequate distributive system for credits is recognised, but no great progress can be made in the building up of such a system before existing indebtedness has been properly assessed and started on the road to amortisation. More than half of the agricultural indebtedness at the beginning of 1936 weighed upon the Entailed Farms, which in principle are unmortgageable and cannot be distrained upon. It is notwithstanding true that the improvement in the agrarian economic situation which has taken place since 1933 has led to the liquidation of a considerable quantity of indebtedness. It is claimed that RM.1,000 million were repaid during the last two years. The reorganisation of agricultural indebtedness under the law of 1st June, 1933, which provided for a reduction of debts and interest charges by conversion which was partly financed by the State, has made but little progress in spite of repeated modifications of the complicated system. The task of the new structure of credit distribution will be to ensure the liquidation of old indebtedness and to limit new indebtedness to purely productive outlay, and

so approximate the general system of agricultural credit to the counsel of perfection imposed upon Entailed Farms. Short term credits are planned for comparatively short term enterprises such as crops, and long term credits of between six and 20 years maturity will be restricted to constructional work, land reclamation, or land purchase for younger sons on Entailed Farms. That farms require advances and that capital is forthcoming, is evident from the report at the beginning of 1936 that rural credit co-operative societies, savings banks, and Raiffeisen societies had advanced RM.150 million new money since the enactment of the Entailed Farms Law, principally for schemes of farm improvements and increase of production. In the middle of 1934 agricultural indebtedness was estimated at almost RM.13 thousand million, but rates of interest were showing a steadily declining tendency. In 1931 the interest on agricultural indebtedness represented nearly 14 per cent. of the total value of agricultural production; by 1934 the proportion had been reduced to less than 10 per cent. Indebtedness is heavier and more prevalent East of the Elbe than West of it, and in North Germany than in South Germany.

Agricultural Labour.—With regard to agricultural labour, the National Socialist Government has adopted a vigorous policy which the Agricultural Estate in a graphic illustration at the 1936 National Agricultural Exhibition described as a reversal of the nationally harmful tendencies of the past. According to this view, nineteenth century economic ideas and developments encouraged migration from the country to the towns and also tended increasingly to burden the agricultural labourer with the status of a factory hand paid by the hour and with no particular interest in the enterprise that employed him. The new doctrine has for its aim the recruitment of more and more land-owning farmers from the ranks of agricultural labourers. (*Vom Landarbeiter zum Neubauer.*) The beginning of progress in such a direction must be the establishment of an economic interest on the part of the labourer in the land on which he works. Accordingly, the custom of paying agricultural labour wages in cash only is deprecated, and re-introduction of the practice of at least part-payment for labour in kind and by the tenancy of land and housing accommodation is advocated. The labourer is encouraged more and more to have his own plot of land and to look to the acquisition of an independent holding. The Labour Service Corps and the arrangements by which young men and young women from the cities spend a year working on farms in the country are two of the channels through which the Agricultural Estate hopes to restore a healthy regard for country life to its proper place in national consciousness and to alleviate the shortage in agricultural labourers, which the Battle of Production has aggravated. The improvement and erection of housing for agricultural workers plays an important part in this development. That the new scheme meets with practical difficulties and with some misunderstanding on the

part of those whom it is meant to benefit as well as from the employers of labour on the land goes without saying.

Agricultural unemployment has been radically reduced as a result of Government land and market policy, the figures for recent years, compared with total unemployment, being :—

	1930.	1931.	1932.	1933.	1934.	1935.
				(Thousands.)		
Total unemployed	3,070	4,520	5,600	4,800	2,700	2,100
Of which—						
Agricultural labourers ...	104	163	223	161	66	52

According to these Agricultural Labour Exchange Statistics, unemployment on the land has been more heavily reduced than in industry.

CHAPTER X.

AGRICULTURE (Continued).

Acreage ; Crops ; Seeds ; Livestock.

Acreage.—As the following table of 1935 statistics shows, about 90 per cent. of Germany's 116 million acres are productive :—

	Millions of acres.	Percentage of total.
Area under agricultural exploitation	71·01	61.
Forests and wood land	31·98	28
Uncultivated moor land	1·17	1
Other waste land	3·61	3
Roads, railways, parks, cemeteries and water...	6·11	5
Buildings	1·96	} 2
Flying, playing and training fields	0·36	
	<hr/> 116·15	<hr/> 100

Contrary to the impression that has recently been allowed to become current, Germany is not, statistically, or relatively to her neighbours, unduly cramped for space. Per head of population, Germany has twice as much land as Belgium, half as much more as the Netherlands, a little more than Great Britain, rather less than Switzerland and Italy, but only half as much as France or Denmark.

The 71 million acres under agricultural exploitation are used as follows :—

	Million acres.
Tillage... ..	48
Gardens	1·4
Meadow land	14
Pasture land	7·2
Vineyards	0·2
Orchards, etc.	0·2
	<hr/> 71·0

Very detailed statistics are compiled in Germany regarding the acreage and yields of the various crops. In 1935 the basis of computation was changed and the Saar Territory was reincorporated in the Reich with the result that detailed comparison of 1935 acreage statistics with those of previous years would be misleading. Comparison with the statistics of previous years will, therefore, in the present Report, be confined to the more important changes in acreages and to yields. Appendix III gives the 1935 acreage figures for the whole Reich in some detail, and yields are shown for the years 1929-34 (average), 1934 and 1935.

In the last ten years production per acre has been considerably increased. A downward tendency of crop out-turn observable in some cases since 1935 cannot be said to be due to a decrease in yield; acreages have in some few cases been reduced. The area under cultivation in respect of individual crops has not increased much except in the case of wheat, some fodder products, and, in the last two years, rape, flax, and hemp, the production of which has been, and is being, phenomenally increased. Root crops and potatoes show an increase of productivity per acre in the last ten years of some 20 per cent. and grain an average of about 5 per cent., wheat heading the list with 9 per cent.

Crops.

Grain.—Results for recent years were :—

(1 hectare=2·471 acres.)

	Average 1929-34.		1934.		1935.	
	Total Crop.	Yield.	Total Crop.	Yield.	Total Crop.	Yield.
	Million tons.	Tons per hectare.	Million tons.	Tons per hectare.	Million tons.	Tons per hectare.
Rye	7·9	1·7	7·6	1·7	7·5	1·6
Wheat	4·4	2·1	4·5	2·0	4·7	2·2
Barley	3·2	2·0	3·2	1·9	3·4	2·0
Oats	6·4	1·9	5·5	1·7	5·4	1·9
Mixed Grains	0·65	1·7	0·68	1·7	0·95	1·8
Total Grain Crop ...	22·55	—	21·48	—	21·95	—

With a little over 12 million tons of domestic production of wheat and rye, Germany needs no imports of breadstuffs, and such export and import as now take place is chiefly exchange of domestic wheat for hard wheat favoured by bakers, and not a net import. Barley has remained a fairly steady crop for the past seven or eight years, but the oats crop has declined from an average of 6·4 million tons in the years 1929 to 1934 to 5·4 million tons in 1935.

The total grain crop for 1935 of about 22 million tons is a little higher than in 1934, which itself was higher than at one time was estimated, but grain crops in both 1934 and 1935 were something more than half a million tons below the average for 1929-34 of 22.6 million tons.

Potatoes.—The potato crop in recent years was as follows, 1935 results showing a considerable drop on previous years owing, it is said, to weather conditions :—

(1 hectare=2,471 acres.)

	Average 1929-34.		1934.		1935.	
	Crop.	Yield.	Crop.	Yield.	Crop.	Yield.
	1,000 tons.	Tons per hectare.	1,000 tons.	Tons per hectare.	1,000 tons.	Tons per hectare.
Early potatoes	2,800	11.9	2,300	9.9	1,300	9.9
Winter potatoes... ..	41,900	16.0	43,600	16.6	39,700	15.1
Total Crop	44,700	—	45,900	—	41,000	—

The 1934 yield of 16.6 tons per hectare of winter potatoes was a record.

Sugar Beet.—The sugar beet crop in 1935 was 10.6 million tons, about 200,000 tons more than in 1934, and about the same as the average crop out-turn in the years 1929 to 1934. Since the first production of sugar from beet in 1802 Germany steadily increased domestic production of sugar at the expense of the market for imported cane sugar. German sugar production reached its high point before the war with a beet acreage of over 1,350,000 acres and a production of 2.7 million tons of sugar. In 1934-35 beet cultivation was about 870,000 acres and sugar production just over 1.6 million tons. This sufficed for domestic consumption. Price considerations, which once had fostered the domestic beet growing and sugar industry and had eventually led to a surplus for export, are now such that export is out of the question. The waste and by-products of sugar processing have, however, become an important item in the national fodder scheme, and dried sugar beet is also coming to be regarded as an important domestic fodder asset. It is in the light of the fodder problem, therefore, that plans for increasing sugar acreage which were announced in January, 1936, should be viewed. The quota of acreage was raised from 80 per cent. to 85 per cent. Arrangements were also made to double the quantity of dried beet available for fodder in 1936-7 as compared with 1935-6.

Other Roots.—Beet for fodder amounted to 35 million tons, 1 million more than in 1934, acreage and yield having both increased. The 1935 fodder beet crop is 4 million tons above the average of 30.6 million tons for the years 1929 to 1934. The turnip crop was particularly favourable in 1935, for although the acreage was reduced, the yield per acre was heavily increased, with the result that the 1935 crop of 9 million tons was some 20 per cent. more than in the previous year and some 10 per cent. higher than the six-year average 1929-34. The carrot crop in 1935 was smaller than in 1934 owing to decreased acreage.

Forage (Clover, Upland, and Meadow Hay; Lucerne).—These forage crops amounted to 33.2 million tons in 1935 as compared with 26.4 million tons in 1934. The 1935 forage and root crops have turned out so well that an appreciable improvement in milk production should be recorded in the season 1935-6, other important considerations, such as oil cake supplies, being equal.

Pulse.—Crop results per hectare for beans, vetches, lupines, etc. were also more satisfactory in 1935 than in 1934 and, in general, results were above the average for the years 1929 to 1934. Cultivation of sweet lupines is being especially favoured because of their value in the effort to raise domestic production of albuminous fodder.

Rape and Colza.—Elsewhere in this Report there is mention of the problem of increased cultivation of plants producing vegetable oils, rape and flax being the principal crops which recommend themselves. In 1878 Germany had an acreage of over 400,000 acres under rape. This acreage had by 1932 been reduced to a mere 15,000, most of the country's requirements of vegetable oils, oil seeds and oil cake being imported. To combat and indeed to reverse this tendency, the Government has given vigorous encouragement to the domestic cultivation of rape. In 1934 a price of RM.300 a ton was fixed for rape seed, and this was raised to RM.320 in 1935. The world wholesale price in November, 1935, was RM.157. The fixed domestic price of more than twice the world price ensures a gross return of between RM.600 and RM.700 per hectare of rape crop, assuming an average production of between 2 and 2.2 tons per hectare. This yield can, however, only be expected in the best regions for rape growing which are Schleswig-Holstein, Pomerania, and Mecklenburg. From Appendix III it will be seen that there were about 116,000 acres under rape crops in Germany in 1935, which is more than half as much again as in 1934, nearly eight times as much as in 1932, but only about one-quarter of 1878 acreage. Rape cultivation is advocated not merely on grounds of national expediency, but also because of its suitability for rotation with wheat and catch-crops, and for its easy adjustment to the general routine of farm work. If the Government price policy is continued, it can be assumed that production will continue to increase.

Flax.—Flax is another crop to which the German Government has devoted special attention since 1933. In 1878 the German flax crops covered over 300,000 acres; by 1932 the figure was only just over 11,000 acres. By 1935 the acreage under flax production had been raised to 55,000 acres, two and a-half times as much as in 1934 and nearly five times as much as in 1933, but less than one-fifth of the area under flax production sixty years ago. Nineteen hundred and thirty-five fibre production was 15,000 tons—over one-third of total industrial supplies. It is schemed to put some 125,000 acres under flax in 1936 and eventually to cover the needs of the domestic linen industry, and greatly increase linseed supplies, from domestic sources. The vigour and comparatively uncommercial nature of some of the national propaganda in favour of flax growing is demonstrated by the proposal put forward at the Farm Congress at Goslar in November, 1935, that every farmer in Germany should grow a few square yards of flax in 1936, for sale to officials of the Agricultural Estate and eventual presentation to Herr Hitler at the next Farm Congress of enough flax to make a drill suit of wholly German material for every member of the armed forces. But commercial incentives are not lacking. As in the case of rape seed, flax seed production was encouraged by a fixed price for domestic producers of R.M.260 per ton in 1934 and 1935. The world wholesale price in November, 1935, was R.M.148. Flax growing is now well distributed throughout Germany, but Silesia and Bavaria have the most favourable soils, and so far predominate in cultivation. The Government has given considerable financial support to the establishment of retting plants in flax and hemp growing areas (R.M.5 million in credits in 1935 and R.M.10 million in 1936), but the speeding up of cultivation and the spread of flax growing to districts that had long since ceased to be interested has been too fast for the restoration of an efficient system of retting plants convenient to growers, so that the expansion of cultivation has not so far been either economic or everywhere satisfactory to producers of fibre. Research is of course deeply engaged in the evolution of a plant which will fill maximum requirements from both the fibre and the seed points of view.

Hemp.—Hemp cultivation has also been greatly extended, especially in Bradenburg, which has about one-half of the total acreage of hemp in the whole Reich. The area under hemp in 1935 was about 9,000 acres, eleven times as much as in 1932, but only about one-sixth of the acreage sixty years ago. In 1934 a Company was formed with Government assistance and with the co-operation of large hemp manufacturers in order to ensure co-operation between growers and manufacturers and to distribute the Government subsidies. The German crop which was only 210 tons in 1933 was raised to 2,600 tons in 1935. Growers are assured of a minimum price and four new retting factories have been erected with the financial support of the Government and the manufacturing

industry. It is expected that 1935 acreage will be increased by 25 per cent. in 1936. Imports in 1935 were 28,000 tons.

Fruit.—German domestic fruit crops consist of apples, pears, plums, cherries, apricots, peaches and walnuts. Statistics of soft fruit crops are not available. Apples are about half of the total by weight, pears about one-quarter and plums of various kinds about one-sixth. 1933 was a good average year, 1934 a good year and 1935 something below the average. Owing to restrictions on imports, the market for all domestic orchard products has been increasingly favourable in the last two years.

Hops.—The out-turn of the hops crop in 1935 was 8,592 tons from just over 25,000 acres. This was some 2,000 tons more than in 1934. Practically the whole crop is grown in South Germany, Bavaria being responsible for over 80 per cent. of the hop cultivation. Württemberg and Baden account for practically all the remainder. 1935 crop quality was reported to be particularly good, especially in Württemberg.

Wine.—The 1935 production of wine has been estimated at 4.1 million hectolitres, which is only a little less than the record of 1934, and is 1.46 million hectolitres more than the annual average of the years 1929 to 1934.

The quality is also reported to be good though scarcely up to 1934, a year unexcelled for a long time in German viticulture, both for quantity and quality.

Tobacco.—There were in 1935 68,772 tobacco planters in Germany the number having risen since 1933 by some 5,300. The area under tobacco production in 1935 was over 31,000 acres and produced 34,880 tons of tobacco, valued at RM.45.2 million. Tobacco production is under strict Government control and increases in acreage are only permitted under licence. Results for 1936 from a slightly increased area are estimated at 30,000 tons.

Seeds.—With the object of ensuring that only first quality seeds may be introduced on the market a series of regulations have been promulgated in the last two years. It was laid down in April, 1934, that the seed policy of the Government and of the Agricultural Estate was to restrict the production of seeds to soil and to farmers in whose ability to produce an adequate quality confidence could be reposed, and to simplify the range of brands and the variety of trade conditions. That some such rationalisation was necessary in a planned agricultural economy is evident from the fact that there were until recently in Germany no less than 300 different kinds of potatoes, 320 types of wheat and over 200 different kinds of fodder beets. The regulations which have now been brought into force are designed to prevent the sale of any seeds to farmers other than such as have been approved by the State. Advertisements, price lists or any other offer for sale of seeds for reproduction must first be submitted to the Administrative Department of the Agricultural

Estate which is empowered to check the accuracy of the claims made. "National lists" have been prepared prescribing a limited number of types of plant seeds recommended for or permissible in specific regions or given types of soil. One of the casualties of this policy, as far as Anglo-German trade is concerned, has been United Kingdom clover seed which is not officially rated so high as the free commercial demand might hitherto have indicated its value to be.

Livestock.—According to the census taken every year in December, Germany's livestock population has developed as follows in recent years :—

(In millions of head.)

	1928.	1933.	1934.	1935.
Horses	3·7	3·4	3·36	3·38
Cattle	18·4	19·7	19·20	18·85
Of which milch cows	9·5	10·1	10·1	9·89
Swine	20·1	23·9	23·17	22·72
Sheep	3·6	3·4	3·48	3·92
Goats	2·9	2·6	2·49	2·44
Fowls	76·00	87·4	85·85	85·45
Of which laying hens	62·8	63·1	57·34	56·21
Geese	5·7	6·1	5·84	5·44
Ducks	2·8	3·5	2·73	2·57
Bee hives	1·6	2·1	2·00	2·12

As in the case of tillage crops, the average annual productiveness of German livestock has been raised in the course of the last decade. This is especially noticeable in the case of milk and egg production. The increase between 1928 and 1933 in milk production per cow in Germany was 7 per cent. and the total production of milk during the five year average of 1930-34 was even 20 per cent. higher than during 1925-29. Owing to fodder difficulties which have arisen, however, there has been a decrease since the high total of 24,000 million litres of milk, which were produced by 10·1 million cows in 1933. The average weight of fat cattle at the slaughter house has risen by about 5 per cent. over the last ten years, but there has been no change in the slaughtering weight of fat pigs. The decline in cattle and pig stocks that took place between 1934 and 1935 was due to the combined effect of fears of a smaller than average domestic fodder crop harvest in 1934 and import restrictions. Vigorous measures have been taken to counteract the tendency which then set in, but the nice problems of adjusting fodder production and fodder imports to each other and the combination of the two to an *optimum* livestock population still await practical solution in the planned national economy which is being developed.

Schemes for increasing the national sheep stock were announced early in 1935. They look to an increase of the national sheep population from just under 4 million to about 10 million in the course of ten years, and also to an increase in *per capita* wool clip to be achieved by selective breeding. By these means it is hoped to raise the percentage of German raw wool consumption supplied from domestic sources from less than 10 to something between

21 and 25. Arrangements have been made for the grant of credits at a very low or no rate of interest to facilitate the assembly and maintenance of new flocks, and RM.8 million was set aside for this purpose in 1935. The German Wool Monopoly wholesale price for wool in November, 1935, was RM.658 per 100 kg., as against a world (London) wholesale price of RM.144.12. It is the policy of the German Government and of the Agricultural Estate to increase domestic supplies in this sphere of production, as in others, regardless of commercial considerations such as the above price quotations represent. The German wool clip was 14,000 tons in 1934 and 16,500 tons in 1935.

An industry which, in a closed economy such as Germany's has tended to become, is of more than subsidiary importance is that of the care and maintenance of minor productive domestic animals. There is, of course, a National Association of fanciers and breeders of minor domestic animals, the range covering goats, rabbits, poultry, silkworms, bees, pigeons and small furbearing animals. The Association claims to have 920,000 members and to employ over 6,000 instructors. The value of the annual output of the industry is assessed at RM.990 million. Rabbit breeding for fur is a highly technical hobby not unprofitable by German smallholder standards. The silk worm industry is important enough to be the object of Government regulation and control through a breeding centre and school at Celle.

CHAPTER XI.

OILS AND FATS.

The Importance of Imports.

The question of supplies of fats and oils is probably the most sensitive spot of the German body economic; it is certainly so with reference to the ideal of economic self-sufficiency, although dependence on foreign sources is at present even greater in the sphere of some other raw materials (e.g. those required for the textile industries). The mass of research material and the variety of statistics available speak for the elusiveness of any comprehensive perspective of the complex picture. The range of the problem is so wide and incidentals of one aspect of it are so apt to turn out to be main features of another that a theoretical mastery of it is indeed almost as difficult as the authorities and experts have found practical command to be. It is, therefore, impossible within the limits imposed on this Report, to provide more than a very general survey, and to give, in addition to some agreed statistical facts, more than an indication of the variety of factors which in recent times have gone to make up the present phase of the problem.

In 1934 there was fear that the effect of restricted imports of fodder and forage would be aggravated by a deficiency in the out-turn of the domestic harvest. The diversion of a considerable number of milch cows and pigs from dairy and breeding purposes to the meat market which resulted from these prognostications led

in 1935 to a reduction of domestic fat production. At the same time consumer demand had, if anything, gone up, and the foreign exchange situation demanded a minimisation of imports. In the autumn of 1935 the market shortage of butter and pig fat was serious. Strict Government measures were necessary in order to ensure the distribution of supplies on a uniform basis, and to prevent rises in retail prices. These measures included propagandistic appeals for the co-operation of distributors and the consuming public, regulations for the reduction of pig slaughterings to 60 per cent. of 1934 figures, restrictions on direct purchase of cattle and pigs for slaughter, quota regulations for the meat trade, limitation of the manufacture of whipped cream and coffee cream to 60 per cent. of previous figures, restriction of condensed milk production, improvements in the distribution of important fodder products such as oil cake, bran, and sugar beet chips through Government centralising agencies, fat stock contracts based on deliveries of Government rye to pig producers, price regulations, and, as a last resort, increased imports of butter and pig products. In addition to these emergency measures, programmes for the increased independence of both individual farms and the nation as a whole with regard to extraneous supplies of fodder and fats, i.e. measures such as the extension of domestic vegetable oil production, silo construction, a concentration on fatter types of pigs, a vigorous dairy control policy, and new German whaling enterprises were initiated or pushed forward.

The aspect of the problem which, chiefly owing to exchange transfer difficulties and to considerations arising from the general trend towards the creation of an increasingly efficient system of economic self-sufficiency, has in recent years been uppermost in the minds of the German authorities and of the German public, can be summarised in the fact that domestic production of fats and oils (other than mineral) supplies only about one-half of the annual German consumption of something over two million tons net weight pure fat, including fat consumed in the form of liquid milk and cheese. If account is taken of imports of fodder for fat-producing domestic animals, i.e. indirect imports of fat, it appears that Germany has recently been dependent on imports for something approaching 60 per cent. of her fats consumption. (For statistics see Appendices Nos. IV and IVA.) The fodder imports which represent indirect fat imports are chiefly oil cake and oil seeds; and the rationing of supplies of these products to farmers after imports had deliberately been reduced has been one of the problems with which the Agricultural Estate has had to deal.

As far as edible fats are concerned, it is interesting to note a considerable increase in *per capita* fats consumption in Germany to-day as compared with pre-war times. This is explicable on purely statistical grounds partly by a higher average age of the population, and partly by sociological factors, especially occupational trends. Actually in 1935 there were about 20.6 kgs. of edible fats available

per head of the German population. This is 5 kgs. per head, or nearly 30 per cent., more than the average of the last five years before the war. According to the same authority—there is often some conflict due to discrepancy between bases of calculation, between the figures and estimates of the various enquirers—butter represents two-sevenths of total edible fat consumption. A further two-sevenths is covered by animal fats—bacon, lard and tallow. The remaining three-sevenths of total consumption come from vegetable oils and fats and from whale oil, and are consumed principally in the form of margarine. Only some 5 per cent. of the last-named three-sevenths is domestically produced, whereas the domestic production of butter covers upwards of 85 per cent. of consumption, and the domestic production of bacon and lard covers 90 per cent. of consumption. Recent developments, mostly the result of Government regulation, have caused a shifting in the sources of supply, and in the material constitution, by sorts of fat, of the total volume of consumption. Margarine has been relegated to a less important place in the scheme of things, and imports of lard and butter have been reduced with the help of customs duties and import quotas. Generally speaking the tendency is for supplies to come more and more from domestic sources or from foreign sources momentarily allied to German economic interests—as, for example, the whaling industry has recently been. Quite apart from purely social and economic considerations, such as the effect on the cost of living of the industrial population, there are limits to this development which are set by the series of interactions provoked by the execution of the policy itself.

Indeed, a very good idea of the complexity of the problem may be gained by listing the chain of sub-problems which successively arise as direct or indirect results of the comparatively simple proposal to decrease imports and increase domestic production of butter and pig fat. These include :—

Improvement or Increase of Dairy Stock and Pig Population ;
hence Questions of

Increased Fodder Imports, or

Increased Domestic Fodder Production. Hence

Questions of Land and Labour Utilisation : Crops versus
Animal Husbandry ; Pigs versus Oxen ; Meat Production versus
Fat Production, etc.

Government Control of Production, Marketing and Consump-
tion of Farm Products.

Industrial Fats : Soap and Paint ; Industrial Considerations,
and

Limits imposed on Policy by Foreign Trade Relations.

Some of these subjects are dealt with in other Chapters of this Report and the following notes merely refer to their direct bearing on the fats and oils supply question.

Dairy Policy.—Livestock questions in general are touched on and statistics quoted in Chapter 10, and it is here necessary only to mention that the dairy policy of the Agricultural Estate looks to a vigorous extension of existing milk control administration so as to cover every byre and every cow in the country, more selective breeding of dairy stock, and greater attention to animal hygiene. There are a little under ten million milch cows in Germany and the average milk production per cow per annum is about 2,350 litres (517 Imperial gallons). Average annual milk production per cow has declined slightly but progressively between 1932 and 1935 owing to fodder difficulties. At present only about 11 per cent. of German milch cows are under official inspectional control; these controlled cows give an average of 3,700 litres (814 Imperial gallons) of milk per annum, as against the estimated average for all cows of about 2,350. The additional control in prospect aims at raising the average annual production per cow to 2,900 litres (638 Imperial gallons) and it is calculated that a reduction of the national stock to nine million cows producing at this improved rate would make imports of butter unnecessary and at the same time considerably ease the fodder situation. Something over one half of German milk production now goes to butter-making; over half the remainder is consumed in liquid form; and calves and cheese-making divide the remainder, slightly to the advantage of the former.

Fodder Imports.—Any increase in the livestock population of Germany would, all other things being equal, aggravate her present dependence on foreign sources for her fodder needs. This would be contrary to declared national economic policy. At present fodder with a content of about one million tons, i.e. one-eighth of total needs, of albuminous and starchy materials has to be imported. Exchange transfer difficulties combine with considerations of general policy to render the prospect of increased imports undesirable.

Increased Domestic Fodder Production.—Domestic vegetable oil production is the key to greater animal fat production, as well as being a direct source of the kind of fats and oils for which Germany is at present so dependent on foreign sources. Increased fodder and vegetable oil production is therefore in some quarters regarded as the central problem of the complex. Approach to a solution is advocated by means of land reclamation, better use of fertilisers, a greater degree of scientific pasture and arable farming, rationalisation of potato crops, increased use of sugar, and above all by the cultivation of a greatly increased acreage of rape, flax, and catch-crops. Individual farm fodder independence is fostered by Government subsidies of silo construction to the extent of RM.4 per cubic metre up to a maximum of RM.1,000 per farm. The subsidy usually covers between one-third and one-half of construction costs. In 1934 there were 85,500 silos in Germany, 75 per cent. of which had been erected since 1931, but the volume represented by these

was only sufficient to provide a regular ration of silage fodder to 5 per cent. of the national milch cow stock.

Here it is not irrelevant to mention the fact that German chemical research is in a fair way to producing a fodder for fattening purposes from wood pulp (see Chapter XIII), but commercial practicability is not yet claimed for the process.

Land and Labour Utilisation.—Plans for increasing domestic fat production inevitably bring up questions such as choice between various crops and products, the proper balance between vegetable oil and animal fat production (e.g. one acre of rape gives four or five times as much fat as the pigs fed on one acre of barley), and generally the adjustment of farm production as between crops and animals, so as to give the *optimum* result to the national economy. The scope of argument and theory is here very great; it cannot be said that a practical solution or policy has yet emerged.

Government Control of Production and Marketing is obviously a necessary task in any co-ordinated attack on the general problem of Fats and Oils. In Chapter 8 details are given regarding the control system applied to some 10 major agricultural commodities, most of which have some bearing on the fats question. In addition the margarine industry has been stereotyped, restricted, and taxed in the interest of domestic fat production, and the use of a proportion of domestic tallow has been made obligatory in soap and candle manufacture.

Industrial Fats.—The soap industry in Germany takes about two-thirds of the total of Germany's annual needs of some 400,000 tons weight of pure fat for industrial purposes. The paint, linoleum, leather, and stearine industries account for the remainder. The greater part of the 250,000 tons needed by the soap industry is vegetable oils and is imported. If soap were not being replaced where possible by chemical washing materials containing no fat, the figure for industrial fat imports would have risen even higher since 1933 than it has. A policy which has been vigorously canvassed looks to the increasing substitution of oil from German whaling enterprises for imported vegetable oils in the margarine and soap industries, and meanwhile a strict control and rationing system is exercised over all industries using any fat as raw material. The importance of cheap raw materials to the soap and paint industries is obvious.

Limits imposed on Policy by Foreign Trade Relations.—The importance of this feature of the problem is obvious; examples are the compulsion on Germany to take certain food or fat products from neighbouring countries in exchange for German manufactured goods, and on the other hand the sudden change produced in one element of the situation through the throttling of e.g. lard imports

from U.S.A., on grounds of trade policy in general. Similarly imports of oil seeds, and therefore the oil crushing industry and re-exports of vegetable oils, had to be severely restricted on grounds of general foreign trade policy, and the consequence has been an aggravation of the fodder problem through the ensuing shortage of domestically produced oil cake.

CHAPTER XII.

OTHER NATURAL RESOURCES.

Sea Fisheries; Forestry; Mining.

Sea Fisheries.—The determined efforts which have been made during recent years to increase the production of the German fisheries and reduce imports have met with success. In 1934 the total catches landed by German sea and coastal fisheries increased by approximately 13,820 tons or about 4 per cent. in volume, and R.M. 10·9 million, or 18 per cent. in value, compared with the year 1933; in 1935 there was a further increase in the domestic production of 19·2 per cent. in quantity and 17·5 per cent. in value. The total consumption of fish per head rose from 8·8 kg. in 1934 to 10 kg. in 1935, of which 2·1 kg. in 1935 and 2·2 kg. in 1934 were salted herrings.

The total German herring catch rose from 112,220 tons in 1934 to 131,050 tons in 1935. The average price dropped from 15 to 14 pfennigs per kg.

The land-curing of trawled herrings, which was begun for the first time in 1932, produced 246,000 barrels in 1935 compared with 325,000 barrels in 1934 and 365,000 barrels in 1933. The production of cured herrings by the German herring drifter fleet, which salts its catches at sea, reached 516,000 barrels in 1935 compared with 511,589 barrels in 1934 and 399,208 barrels in 1933. The total production of Germany's cured herrings thus dropped from 836,589 barrels in 1934 to 762,000 barrels in 1935.

The German imports of sea fish in 1934 and 1935 were as follows:—

	1934.		1935.	
	Tons.	R.M. 1,000.	Tons.	R.M. 1,000.
Fresh herrings	110,369	14,250	123,229	14,373
Fresh sea-fish	20,322	6,322	15,900	5,638
Cured herrings	55,450	11,916	60,584	12,802
Prepared fish	5,548	3,409	3,170	2,189
Tinned fish	13,774	9,041	14,896	9,565
Total	205,463	44,938	217,779	44,567

It is noteworthy that whereas the import of fresh herrings in 1934 showed a decline of over 15,000 tons, and cured herrings a fall of 12,000 tons compared with 1933, imports in 1935 recovered much

of the lost ground the previous year. As a result of better prices for fresh herrings the proceeds were higher than in 1933. The participation of United Kingdom in the German import of fresh and cured herrings during the past three years has been as follows:—

	<i>Fresh Herrings.</i>		<i>Cured Herrings.</i>	
	<i>Tons.</i>	<i>R.M. 1,000.</i>	<i>Barrels.</i>	<i>R.M. 1,000.</i>
1933	26,063	4,275	357,251	10,874
1934	24,476	4,156	297,839	7,747
1935	28,781	4,606	387,159	9,799

The increase in the German production is attributable to Government support given in recent times to the German industry. Between 1924 and June 1934 a total sum of over R.M.31 million was placed at the disposal of various branches of the industry by the Government in the form of loans, grants, catch bonuses and subsidies for new constructions and re-conditioning. In 1934 thirteen trawlers were built for the deep-sea fisheries with Government assistance, and at the end of 1935 orders were placed with a number of yards for a further fifteen trawlers which will be ready for the opening of the 1936 herring trawling season. The German steam trawler fleet in 1935 numbered 339 vessels. The drift net herring fisheries received grants from the Government in 1933 and 1934 which enabled 53 new motor-drifters to be built and added to the fleet. A number of older vessels were rebuilt and fitted with more powerful motors. During the 1935 season, 169 drifters were in regular service. The result of the additional tonnage in this branch of the fishing fleet has been an increase in the German production of sea-cured herrings from 32,010 tons in 1932 (119 vessels) to 61,020 tons in 1935 (182 vessels).

In a contribution to a trade journal an official expressed the opinion that by further expansion of the German fishing fleet it should be possible completely to exclude the import of fresh fish and cured herrings; the domestic demand for fresh herrings could, however, never be fully supplied by the German fisheries and imports would continue to be necessary in order to keep the German fish industry employed.

Forestry.—In 1933 a special department to deal with forestry questions and the marketing of timber was established in the Ministry of Agriculture, and a Timber Commission was formed to survey the question of supplies to all the industries concerned. In January 1934 a conservation law was passed by which felling was restricted to certain percentages of basic figures for various districts. In July 1934 forestry laws and forestry control were taken over by the Reich in order to centralise the legislation and administration which had hitherto fallen to States and Communes. In December 1934 another law was passed as a result of which unsuitable sorts of trees had to be eliminated from German forests and only high quality seed was to be used in afforestation. In July 1935

an order was made transferring the administration of matters concerning the timber industry from the Ministry of Agriculture to the Reich Forestry Office, which through this measure became responsible for marketing regulations and industrial supplies, as well as for forestry questions in the narrower sense. In October 1935 an enabling law was passed by which the marketing of timber was brought under governmental control with a view to stabilisation of prices and the rationalisation of domestic production and imports.

The aim of all these administrative measures has been to secure the prospect of a permanent domestic production of timber which will go as near as possible to meeting the requirements of German industry. Government control is all the easier in this branch of the national economy on account of the fact that the State is the greatest owner of forests. About one-third of all German forest land is State owned and controlled, and over 40 per cent. of timber production comes from State forests. As domestic production is about 70 per cent. of the total of Germany's timber needs State forests supply some 30 per cent. of total timber consumption. The market is, however, a very elastic one, especially as far as constructional timber is concerned so that these proportions have been apt to shift in the past according to price fluctuations and the trade cycle in general.

The new forest policy which has been adopted turns its back on the old custom of completely clearing and replanting sections where the trees had reached a certain maturity, and envisages a forest structure of trees of various ages and species, with felling carried out on the principle of thinning rather than the mass felling of a section at a time. This method should increase in the course of time the proportion of stronger trees in the total stand and in the annual crop felled, but of course the policy is one which will only show results over a comparatively long term. The rate of felling is admitted to be at the present time some 50 per cent. higher than a due maintenance policy would normally permit.

Germany can cover most of her needs for constructional timber such as pit-props, masts, telegraph poles and sleepers from domestic forests, but more than half of the wood for paper manufacture has to be imported. In addition a considerable quantity of hard and exotic woods for the furniture industry which can not yet be replaced by domestic species have to be imported. Measures of a short term nature which have shown results over and above the long term policy indicated above can be credited with a rise in the general proportion of domestic supplies in total consumption, and in the industrial uses of soft timber which recent research and national economic policy have shown to be possible—for the manufacture of staple fibre and grape sugar from pulp and for fuel in wood gas engines.

Mining.—The natural resources of German soil include:—coal, potash, salt, zinc, lead, iron, copper, bauxite, oil, and a multitude of minor ores containing arsenic, manganese, chromium, quick-

silver, strontium, wolfram, molybdenum, etc. Of these, the mining of coal and potash are the only two enterprises which rank as fully commercial from a world trade point of view; each of them ranks very high in German industries and provides an important annual export surplus. The other deposits are of less importance from a world point of view, but are entitled to particular attention in this Report in connection with efforts towards national economic self-sufficiency. Discussion of them is, therefore, reserved for the following Chapter. Coal mining and power production are so closely allied to industry that they are dealt with under that heading (Chapter 16).

Potash.—Between 1930 and 1934 returns of the German potash industry steadily decreased. As a result of falling prices turnover by value fell by about 40 per cent., and export values by almost 60 per cent. This was a result of competition between the Franco-German Potash Trust and new producers, especially in Spain and the U.S.A. In the course of 1935 an agreement was reached with Spanish potash producers and prices improved accordingly. 1935 exports were about 8 per cent. higher than 1934 figures by volume and about twice as great as in 1932, but still well below 1928 and pre-war figures.

The U.S.A. is the most important foreign customer of the German potash industry, and took about 22½ per cent. of total exports in 1935. Japan took almost 15 per cent., the Netherlands about the same, United Kingdom 9 per cent. and Denmark slightly over 6 per cent. Exports to China decreased.

In connection with the agricultural Battle of Production, which the National Socialist regime initiated in 1934, the domestic market for potash and potash products has developed favourably. The rise in domestic sales and consumption is represented by the following figures (in million tons pure potash):—

1928	...	...	...	...	870	thousand	tons.
1932	...	...	...	...	640	"	"
1934	...	...	...	...	860	"	"
1935	...	...	...	...	920	"	"

Exports and domestic sales between them have brought net pure potash production up to

1·32	million tons in 1935, as against
1·22	" " 1934,
0·85	" " 1932, but
1·42	" " 1928, and
1·11	" " 1913.

The proportion of exports in 1934 and 1935 was about 30 per cent., as against 24 per cent. in 1932, and over 45 per cent. in 1913. The future of the potash mining industry in Germany as far as exports are concerned is somewhat overcast by the prospect of profitable new production in other countries, especially in the U.S.A., Palestine, Spain and U.S.S.R. In 1934 there were 44 mines in operation, the largest being in the Werra district of Central Germany

CHAPTER XIII.

Progress towards Economic Self-Sufficiency; Raw Materials; Substitutes; New Products; Regenerates; Autarchy.

Over the field of foodstuffs and major industrial raw materials Germany's self-sufficiency varied, in 1934, as follows :—

Proportion of Domestic Production to Total Supplies by Percentage.

<i>Per cent.</i>		
100-90 ...	... ..	Coal, bread grains, vegetables, meat, potatoes, sugar, oats, barley.
90-70 ...	... ..	Rayon, timber, casings, bristles, casein, eggs, honey, fruit, milk products, wine.
50 ...	... ..	Hides and skins, fish.
50-30 ...	... ..	Non-ferrous ores, motor fuel, fats in general, nuts, feathers.
30-20 ...	... ..	Iron ore, tobacco.
20-10 ...	... ..	Flax, tanning materials.
10- 5 ...	... ..	Textile raw materials in general, wool.
4- 1 ...	... ..	Oil seeds, oil cake and vegetable oils.
Less than 1 per cent....	...	Cotton, hemp, jute, silk, rubber, resins, shellac, etc.

The field of observation can be narrowed somewhat by an analysis of German imports in the years 1934 and 1935, which shows that in addition to imports necessitated by the maintenance of export trade (itself now merely a means of securing imports for consumption), Germany drew on foreign sources for a great part of her supplies for internal consumption of the following essential raw materials :—

Foodstuffs.

Oils and fats, oil seeds and oil cake, fodder grains, fruit.

Textile Raw Materials.

Raw silk, wool, cotton, flax, hemp, jute.

Ores and Metals.

Iron, copper, zinc, pyrites, manganese, nickel, wolfram, etc.

*Mineral Oil.**Rubber.**Timber and Pulpwood.**Hides and Skins,*

and the following less important goods :—

Feathers and Bristles,

Tanning materials,

Tobacco,

Casings,

Resin and Shellac.

Import figures for 1933, 1934 and 1935 are given in Appendix X.

There is not a single commodity in the above list, imports of which are not being attacked from one angle or another by domestic productivity. The degree of success so far attained or regarded as attainable in the future varies greatly, but is in nearly every case

considerable. Success has been greatest in foodstuffs, net imports of which were reduced between 1927 and 1935 by 43 per cent. in volume and 74 per cent. in value (RM.4.9 to RM.1.3 thousand million). Net imports of other agricultural raw materials, textiles being the chief item, have risen slightly since 1932, but were, in 1935, less than half 1929 figures in value. Raw cotton and cotton yarns are the most important items of textile imports.

The foregoing list of 1934-5 raw material imports makes mention only of those commodities which are still imported to a considerable extent. There are some foodstuffs, in respect of which autarchy has already been achieved. Ten years ago half of Germany's wheat needs were imported; by 1932 self-sufficiency had been established in wheat as well as rye. In the case of sugar, self-sufficiency is of long date; before the War there was an export surplus. Autarchy in respect of these two commodities is now maintained at the cost of a German price level three or four times the world price level.

Increased independence of imports of the raw materials listed above is being pursued by a variety of methods, a rough classification of which is:—

Expansion of domestic production with the help of Government subsidies (wool, flax, fodder, ores).

Substitution of domestic products for imported natural products (rayon, flax, and staple fibre for cotton and wool); aluminium and bakelite for copper and brass; etc.).

Restrictions on uses of imported goods (base metal regulations; exchange restrictions).

New products (rubber, oil, leather, plastic materials).

Regeneration processes (tin, oil, wool, rubber, scrap metal).

and the remainder of this Chapter is an enumeration of the measures, by commodities, which are at present in operation in pursuit of the general policy of economic self-sufficiency.

Grain and other Fodder.—The agricultural Battle of Production of which some account is given in previous Chapters, is merely an acceleration of the trend towards agricultural self-sufficiency which has always been sporadic in Germany, but has been especially noticeable since 1927. The index of production of German agriculture rose by 14 per cent. between 1928 and 1935, although the population has only increased by some 5 per cent. in the last ten years. Since 1927 imports of all food and fodder products have been steadily decreased and domestic production correspondingly increased. The cost has been an increasing, and by the end of 1935 enormous, disparity between the agricultural price levels of Germany and the rest of the world. Now that bread-grain self-sufficiency has been firmly established, the phase of the general trend at present most in evidence is concentration on the augmentation of domestic animal fodder production.

Oils, Fats, Meat, and Fish.—Approach to economic self-sufficiency in oils and fats is closely allied to the fodder question. It is the most difficult of all Germany's autarchic problems. The measures which have been taken in the last two years and the policy likely to be pursued with a view to reducing independence on imports are described in Chapter 11. As regards meat Germany is now self-supporting in theory; the imports from the Argentine necessitated by the shortage in the meat market at the end of 1935 were incidental. The encouragement to German sea fisheries which is being given with a view to reducing the need for imports of fish is dealt with in the previous chapter.

Textile Materials.—The field of textile materials is one very rich in examples of both the pressure for and progress towards economic self-sufficiency in Germany. Wool, hemp, silk, flax and rayon can all be produced in Germany itself, but the maintenance of adequate industrial supplies necessitate, in the case of the first three, imports to a preponderant extent. Cotton, jute and sisal cannot be produced in Germany; the pursuit of autarchy in respect of them implies the use of substitutes, the invention of new products or the diversion of demand to alternative commodities.

Wool, Flax, Hemp.—It is planned (see Chapter 10) to increase the German national stock of sheep from 3½ million to 10 million in the course of the next ten years, and to raise the proportion of the domestic clip to total wool supplies (at present rates) from under 10 per cent. to over 20 per cent.; Government credits of RM. 8 million have been granted in aid of the scheme. The chief obstacle to success is anticipated from the difficulty of disposing of increased domestic supplies of mutton. Germans eat nearly 60 times as much pork as mutton, the per capita annual consumption of the latter commodity being at present only about three-fifths of a kilogram. At the same time the necessity for imports of wool is being attacked through new products from domestic sources and by the substitution of rayon and flax wherever possible.

An account of the scheme for increasing German flax production, which has been put into such speedy and vigorous operation since 1933, is given in Chapter 10. Acreage has been increased fivefold in three years, and it is hoped that the needs of the domestic linen industry will be almost entirely met from domestic flax crops in 1936. Imports in 1935 were 32,000 tons and domestic production 15,000 tons of fibre. Similarly the domestic production of hemp has been greatly increased, but the prospect of complete independence of imports is more remote than in the case of flax, unless hemp is to a great extent replaced by a new or alternative product. Imports in 1935 were 28,000 tons and domestic production 2,600 tons. The jute import surplus in 1935 was 114,000 tons, and hemp is the only natural product producible in Germany which

is likely to replace it. Paper can however be used to a great extent as a substitute for jute.

Silk.—The domestic production of natural silk is very small, but it has official support and encouragement to expand. As, however, silk goods made from imported raw materials can very well be replaced by goods made of domestically produced rayon, the silk question is not one of much account from the point of view of autarchy. It is scarcely a problem at all. Rayon consumption is covered by domestic production to the extent of about 90 per cent. and could easily be made entirely independent of imports.

New Textile Materials: Staple Fibre.—While, on the one hand, domestic production of wool, flax, and hemp is being increased, on the other, progress has been made with the aid of the scientific research for which Germany is famous in the development of new textile materials, some of which can be made to take the place of imported materials, especially cotton and, in lesser degree, wool. The chief and most promising new development in this field is staple fibre, a product of wood pulp closely related to rayon in its origins and process of manufacture. The Government has encouraged the production of this commodity on a commercial basis and large factories have been established at Bettenheim near Cassel, at Kelheim on the Danube and in Silesia. The financial and technical support of both the chemical and textile industries have been harnessed to the problem of making the new product approach the possibility of commercial success. It has now appeared in the finished goods market chiefly as 'Vistra' "Flox" and "Cuprama" but also, mixed with wool, as "Wollstra", and great claims are made for its commercial future, especially for indoor use. The greatest handicap under which the product has suffered so far is an undeniable recalcitrance on the part of the consumer public, which persists in regarding the new product, not without some show of reason, as a *substitute* for wool and cotton, and therefore as inferior. Nevertheless plans have been made for a steady increase in the national output of staple fibre, and it is conceivable that the admixture of staple fibre to other materials which is now permissible up to a certain percentage would, if the present restricted flow of import of raw cotton and cotton yarns were in any way still further impeded, become compulsory as well as be placed on a higher percentage basis. It is planned to produce 70,000 tons of staple fibre in 1936; the cotton import surplus in 1935 was 360,000 tons.

Timber.—In Chapter XII some account was given of the administrative measures which have been taken with a view to increasing domestic resources of timber and thus reducing the dependence of German industry on imports. New processes make the forestry question doubly important. The staple fibre industry which it is hoped to develop largely at the expense of imports of cotton,

requires wood as a raw material; the need for economy in the use of imported oil fuel has fostered the development of wood gas engines; and Dr. Bergius' latest researches as well as the Scholler Process look to the chemical production of alcohol and of a satisfactory fodder and perhaps food product from native grown timber. Factories near Mannheim and in Holstein are already producing, from wood pulp and hydrochloric acid, a form of grape sugar and fodder on which pigs can be fattened. The wood required for these processes does not, however, burden forestry appreciably, for the waste and by-products of the present timber industry afford a large margin to be taken up before pressure on forest stocks would arise.

The motorisation programme advocated by Herr Hitler has caused pressure for and progress towards autarchy. Germany's supplies of the two chief essentials for motor vehicle operation—oil and rubber—have been and still are predominantly imported. But remarkable progress towards independence of imports has been recorded.

Oil: Domestic Production.—Germany's requirements of mineral oil are at present something over 4 million tons per annum. Domestic production of crude oil in recent years has been as follows:—

1932	...	...	...	229,796 tons.
1933	...	...	...	238,503 "
1934	...	...	...	314,602 "
1935	...	...	...	429,673 "

For the 1934 and 1935 boring programmes the Government granted RM. 9 million as subsidies. The North German Plain is the most productive area, Nienhagen (Hanover) being the best field. Five new separate oil fields have been opened up with the aid of the Reich boring programme, and satisfactory developments were reported last year from Baden, Thuringia, Schleswig-Holstein and Hanover.

Production of Synthetic Light Motor Fuel.—The following table shows estimates of light motor fuel consumption in Germany in 1934 and 1935:—

Production and Imports of Petrol, Benzol and Alcohol.

		1934.	1935.
		Tons.	Tons.
<i>Petrol—</i>			
Domestic production	...	250,000	365,000
Imports	...	1,030,000	1,040,000
<i>Benzol—</i>			
Domestic production	...	280,000	380,000
Imports	...	70,000	40,000
<i>Alcohol—</i>			
Domestic production	...	170,000	180,000

It will be seen that the domestic production of petrol, benzol and alcohol is on the rise and indeed that it more than covered the

increase in consumption. 1935 light motor fuel oil consumption was nearly 11½ per cent. above 1934 and nearly 35 per cent. above 1933 consumption. The proportion of domestic supplies to the total was brought up to 46 per cent. 1936 consumption needs are estimated at 2,100,000 tons and it is hoped to be provided over 1,235,000 tons of this from domestic sources, as follows:—

Domestic petrol	550-600,000 tons.
Benzol	420-430,000 "
Alcohol	200,000 "

If this hope is realised, imports will again be reduced, although total consumption will increase. There is a compulsory alcohol admixture of 10 per cent. in all light motor fuels sold for internal consumption.

Gas oil consumption by diesel engines in Germany was estimated at

605,000 tons in 1934, of which 70,000 tons was domestic production; and

803,000 tons in 1935, of which 80,000 tons was domestic production.

In connection with the general problem of oil supplies it has been pointed out that it is contrary to the national interest to allow the operation of so many stationary engines consuming gas oil when it would be possible to use other forms of power such as steam, gas and electric current. Synthetic petrol is produced in Germany by a number of methods chiefly classifiable under the headings of carbonisation and hydrogenation processes. They include processes of carbonisation of lignite and coal; the process developed by the Dye Trust on the basis of the Bergius process, the water-gas Fischer-Tropsch hydrogenation process, and the Pott-Broche process for the extraction of oil from coal. Towards the end of 1934 a compulsory cartel of brown coal producers was established for the flotation of a Company and the erection of plant for greatly increased production of petrol from lignite. In October 1935 the Ruhr Benzin A.G. was formed with a capital of RM.4½ million and bank advances of RM.9 million to exploit the Fischer-Tropsch process. This Company is a sister organisation of the Ruhr. Chemie A.G. and is the result of co-operation of important coal mining interests. Early in 1936 another Company was formed for the distillation of gas and fuel oils from coal at low temperatures and is expected to take up production in the early Autumn. The problem of disposing of the large coke by-product is the chief difficulty envisaged by this experimental flotation.

The commercial success of synthetic light motor fuel production is encouraged at the expense of the consumer by a levy on imports of oil which enables domestic synthetic petrol to be sold at the same price as imported petrol. Early in 1936 the filling station price of petrol in Berlin was, at current exchange rates, 34 pence per gallon.

Another feature worth mentioning in connection with the oil supply question is the encouragement by the Government and municipalities of the use of alternative fuels. Municipal gas supplies are advocated for city bus traffic and the campaign for wood gas engines has gone so far as to provide for the erection of wood fuel filling stations, particularly in Bavaria. Research in connection with engines using pulverized fuel of all kinds is also being prosecuted.

Regeneration of used lubricating oil is another subject which is receiving considerable attention. In 1935 plants were established in Berlin, Stuttgart and Breslau for the purpose of engaging in the regeneration of old oil on a large scale, but enterprise has suffered through the number of small companies which have from time to time entered this branch of industry and created difficult price conditions in the market for used oil. The regenerative process is based on "activated" and "grained" bleaching earths domestically available. It is estimated that of the 300,000-360,000 tons of used lubricating oil used annually, 50,000 now *are*, and 100,000 tons *could be*, regenerated.

Synthetic Rubber; Rubber Regeneration.—German annual rubber consumption at present amounts to over 70,000 tons, all of which, except a minute quantity of synthetic material, is imported. Research has of course been carried on for many years in Germany as in other countries with a view to the discovery and manufacture on a commercial basis of a synthetic product which might replace natural rubber or be with advantage substituted for it in some fields of technical requirement. At the Motor Show in Berlin in February, 1936, the Dye Trust exhibited "Buna", a synthetic rubber, produced by the polymerisation process from lime and coal as ultimate raw materials, on which their laboratories had been working since 1926 and which was now so far advanced in practical results that a commercial future could be claimed for it. "Buna" is made in a number of types according to requirements, and the manufacturers claim that it offers more resistance to chemical solvents, heat, friction and abrasive action than the natural product. No disclosure as to price has been made, but it can confidently be assured that "Buna" is not yet a competitor of natural rubber on a commercial basis except for some very special uses. Its place in the market as a commercial product on a large scale seems, therefore, largely to depend on the price and availability of natural rubber, and the importance of the Dye Trust announcement is chiefly to be found in the fact that the dependence of the German motorisation programme on foreign sources and natural rubber is no longer absolute.

The manufacturers of "Buna" report that the development of the new product owes much to the interest of the military authorities, who in Germany are responsible for the purchase of all Government motor vehicles and who, therefore, exercise great influence on type and design and are able to further experimental

work such as has been necessary in connection with the development of "Buna". "Buna" tyres are not yet generally available to the public, but motor vehicles belonging to the Post Office, the National Railways and the Armed Forces have been and are being equipped with "Buna" tyres made by the Continental Works in Hanover, and the Metzeler Works in Munich, for testing purposes. Over one million kilometres have already been run on "Buna" tyres by Government and other test vehicles.

The use of imported supplies of natural rubber and the disposal of old rubber are controlled by Government regulation. Old tyres are put to uses which obviate the necessity of imports of fresh supplies of raw rubber, such as the manufacture of rubber soles and heels for shoes, door mats, etc. Regenerated ground rubber is also added to fresh natural raw rubber in some branches of the rubber goods industry where such admixture can be tolerated or prescribed. In 1934 nearly 8,000 tons of old rubber to a value of RM.400,000 were imported; in the first seven months of 1935 over RM.1 million worth of imports were effected.

Ores.—Germany is a land poor in rich deposits of ore, but rich in poor deposits. Once the commercial criteria of world trade are abandoned, or for any reason cease to operate, the temptation to expensive autarchic exploitation of domestic resources becomes very strong, and methods of increasing self-sufficiency in metal supplies have indeed been given generous attention in Germany in the past few years. In 1934 a Mineralogical Research Society was established at Freiburg with the object of conducting survey work for ore deposits in so far as prospecting was possible without actual boring and mining. Among the deposits to which the Society has drawn attention are wolfram, cobalt and molybdenum in the Erzgebirge, cobalt, nickel and silver ores in the Black Forest, copper and nickel deposits in the Dill area north of Wetzlar, nickel deposits in the Westerwald district east of Bonn, quicksilver in the Palatinate near Kreuznach, and tin deposits in the Fichtelgebirge (Upper Franconia and Saxony). Chromium is found in Silesia. The cobalt, nickel, quicksilver and tin deposits are reported to be so scanty as to be of little value. Tantalum is completely lacking, but strontium, vanadium and manganese are available in some quantities, the iron ore of the Siegerland district being, by German ore standards, particularly rich in manganese.

Iron Ore.—In 1934 and 1935 subsidies of RM.800,000 were granted in aid of domestic iron ore production. The chief ore fields are in the Siegerland (East of Coblenz), near Salzgitter (South of Brunswick), in Upper Hesse, in the Lahn and Dill basins, and in Bavaria. Total production of domestic iron ore was

6.63 million tons in 1927		
1.34	" "	1932.
2.59	" "	1933.
3.75	" "	1934, and
5.00	" "	1935 (estimated).

This production represents a rise in the proportion of domestic to total iron ore supplies from 17 per cent. in 1932 to about 25 per cent. in 1935 in spite of the fact that total iron ore consumption rose very heavily in 1934 and 1935. If iron pyrites are included in the category of domestic ore consumption, domestic supplies have risen between 1932 and 1935 from 22 per cent. to 30 per cent. About one-third of total German iron ore production comes from the Siegerland deposits.

The domestic heavy industry not only collaborates with the Government in research regarding the use of domestically mined products, but guarantees to take the output of domestic iron ore fields up to a fixed figure each year; for example, the Sieg, Lahn and Dill ore fields had early in 1936 a guarantee that industry will take not less than 700,000 tons of their yearly output. In this connection it may be of interest to note that the larger part of the Siegerland or mining industry is owned by iron and steel concerns of the Ruhr. Although some experts regard 40 per cent. as the maximum proportion which domestic iron ore can ever expect to enjoy with regard to the total ore supplies of the German heavy industry, industry itself is giving a generous trial to all the possibilities. The experiments of Krupp with the "Renn" process of smelting Salzgitter ores, the Röchling experiments with low grade ores and the Flick Concern work on dogger ores from Bavaria testify to recognition of both the necessity and desirability of exploiting domestic resources on the part of important industrial interests.

The following table shows estimated German production of lead, copper and zinc from domestic ores in recent years:—

	1929.	1932.	1933.	1934.	1935.*
	(Thousand tons.)				
Lead	52.7	47.8	52.0	57.0	59.0
Zinc	147.4	87.7	107.0	124.0	150.0
Copper	29.1	30.9	31.5	28.0	29.6

* Estimates.

Chapter 17 contains details of imports, industrial production and consumption of non-ferrous metals including aluminium.

Lead.—Domestic production of lead has risen slightly, but imports of lead and of lead ores have remained fairly constant in recent years. The tendency, however, is for re-exports to be decreased. In 1933 the lead produced from domestic ores was about 25 per cent. of total consumption.

Zinc.—Zinc consumption in 1934 was 182,000 tons, of which 124,000 tons were from domestic ores. The output of smelting works rose from 72,865 tons in 1934 to 124,100 tons in 1935. Since the middle of 1932 zinc production has been heavily subsidized by the German Government, but direct subsidy for ore production

was superseded in 1934 by a system of premiums extending to smelting works. The establishment in 1934 of the new Giesche-Works at Magdeburg with an annual output of 40,000 tons was followed in 1935 by a project of the Preussische Bergwerks-und Hütten A.G. for the exploitation of their deposits at Oker in the Harz near Goslar, where works with a capacity of 40,000 tons of zinc per annum will be erected. It is hoped that by the autumn of 1936 smelting capacity within Germany will yield at the rate of 170,000 tons of zinc per annum, which is more than enough to cover industrial requirements for internal consumption if not for the export trade. When the Oker and Giesche Works are in full operation the figures for zinc produced may be expected to rise to 210,000 tons per annum. At the same time the output of domestic zinc ores is increasing; in 1935 about two thirds of the German consumption of zinc were produced from inland ores.

Copper.—In the case of zinc it seems that domestic production can, and will if necessary, be raised to a point at which imports of ore or metal will not be necessary and a considerable improvement may be expected for lead, but there seems no likelihood of domestic copper mining ever reaching such a point.

Domestic production of copper ore amounting to about 1 million tons in 1934 produced 28,000 tons of copper, total industrial needs being about 220,000 tons in that year. 80 per cent. of ore mined comes from the Mansfeld deposits near Eisleben. Prospecting for new deposits and the reopening of old mines in the Dill and Siegerland areas have been mooted, but reports regarding newly discovered deposits and resuscitated mining enterprises tend to show that the poverty of the ore is liable to increase in proportion to the quantity mined. The methods by which increased independence of foreign sources is being sought for in respect of copper are Government control of imports, rationing of supplies to manufacturers, restrictions on the use of copper for purposes where other metals or other products can be made to serve, and advocacy of substitutes. The National Standards Committee has been active in encouraging the use of such domestic products as aluminium alloys in place of metals that have to be imported.

Aluminium.—Germany's very important aluminium industry depends largely on imports. There are bauxite deposits in Upper Hesse and prospecting is being carried out in the Lahn Valley, but domestic supplies are at present of minor importance to the aluminium industry. France was until recently Germany's chief source of bauxite supplies. But since the French embargo on the export of this ore came into force, German supplies of this very cheap material have come chiefly from Hungary and Jugoslavia, where fresh deposits are being increasingly worked as a result of the German demand (and it is reported, investment). Although the greater part of the raw material on which Germany's aluminium

industry depends still comes from abroad, this industry is looked to as one of the chief means by which dependence on foreign sources for other metals and raw materials can be decreased. The importance of aluminium alloys in the engineering industry is fully appreciated in Germany for this as well as technical reasons; for example, experiments have been made with a view to adopting aluminium coatings on steel in place of tinplate. The development of light alloys is of special importance in aeroplane engineering, and Germany is fortunate in having not only a very advanced aluminium industry, but also adequate magnesium supplies. On the whole, aluminium, both in its pure state and in alloys, is the most favoured metal at present in Germany.

Tin.—Tin deposits in Germany have apparently no commercial importance and existing dependence on imports is being combated by the substitution of other metals, especially aluminium, and by the extension of the detinning industry.

Plastic Materials.—The development of new products such as have become recently available as a result of research work in cellulose and phenol materials has been turned to account in the direction of economic self-sufficiency by encouraging the use of such materials in place of some imported metals and hard woods. There is an annual import surplus of casein of anything up to 20,000 tons for use in the plastic material industries and for button manufacture. It has been pointed out that 600 million litres of domestic skim-milk would give all the casein necessary for German industry, and that the replacement of casein imports by domestic supplies is a matter easily to be arranged under existing milk control schemes. In addition the hydrogenation of coal supplies the plastic material industries with raw materials.

Leather.—The domestic production of hides and skins is about enough for half Germany's industrial needs and there can be no question of a livestock increase sufficient to make up the other half. The measures by which autarchy is being approached in the leather using industries are on the one hand the increasing use of new products and substitutes—such as regenerated or old rubber for shoe-soles instead of leather—and on the other a more efficient utilisation of existing domestic supplies through measures of veterinary hygiene and increased protection of cattle against the warble fly.

Casings.—It is not anticipated that Germany's very heavy consumption of casings, due to the importance of the sausage in the national scheme of things, can ever be completely supplied from domestic animal sources. The import surplus of guts, stomachs, etc., in 1934 was over 34,000 tons. But progress has been made by the chemical industry in the manufacture of artificial casings, and it is hoped that the new products will gradually replace imports of casings, which at present are about one quarter of total consumption.

Tanning Materials.—Only about 10 per cent. of Germany's annual needs of over 50,000 tons of vegetable tanning materials comes from domestic sources. It is sought to raise this proportion by expansion of oak and osier plantations for tanning bark, and also by research for a synthetic tanning extract. It is admitted that at present there is, however, little prospect of an important reduction in the existing rate of quebracho imports.

Feathers and Bristles.—The existence of an import surplus of feathers and bristles has led to estimates of the annual feather and bristle production in Germany itself, and it has been ascertained that domestic production of feathers is only about one third of total consumption. It is recognised that even a very much more efficient organisation for the utilisation of the domestic feathers available than at present exists would not suffice to dispense with imports, and that any reduction of imports which may be possible is more likely to be effected through the use of substitutes, than by any other means. The import surplus of about 1,000 tons annually in the case of bristles could, however, be abolished if domestic slaughtering were more efficiently utilised. Several plants have recently been set up for handling, utilising, and processing all by-products of slaughtering houses, and an increased supply of domestic bristles is expected to result from them.

Tobacco.—German dried leaf tobacco production covers about one quarter of total consumption. In theory domestic production of tobacco could be extended so as to make imports unnecessary; an addition of about 80,000 acres to the area under cultivation would suffice for this. Actually, however, it is admitted that considerations of quality would make this policy undesirable and that the best that can be hoped for, from an autarchic point of view, in the next few years is a gradual increase in domestic production up to one third or one half of total consumption.

IV.—INDUSTRY AND TRADE

CHAPTER XIV.

Main Features of Recent Developments in Industry and Home Trade.

Organisation and Government Control.—German industry and trade have not been nationalised; indeed, the maintenance and fostering of private property and personal initiative is emphatically declared to be part of the National Socialist scheme of things. But the vigour and extent of Government control in industry and trade, and the degree of Governmental intervention in matters affecting the initiative and freedom of choice of the industrial and commercial *entrepreneur* are so remarkable that the claim to be on the road to at least centralised national effort can be regarded as established.

The Estate of Industry and Trade, the structure of which is described in the next Chapter, is the implement which has been devised for Government control and direction of the industrial and commercial activities of the nation. Although Governmental control of industry and trade has made enormous advances in the past three years, its corporate organisation is as yet by no means a firmly fixed column of the National Socialist edifice. Cost and unwieldiness of the organisation, and the extensive overlapping of the various functional and regional sub-groups offered the chief grounds for counsels of caution on the part of those who desired to temper zeal for collective organisation with respect for the merits and importance of the existing institutions and general business organisation of Germany. There seemed to be in evidence some degree of conflict between the State Socialism of the National Socialist Party and what might be described as a form of State Capitalism to which the minds of important non-Party business leaders inclined as a compromise.

State regulation of the manufacture and the marketing of all industrial products increased in 1934 and in 1935. Existing voluntary cartelisation of industry was reinforced by compulsory cartels in industries such as soap, glass, cement, margarine, cigarettes, motor tyres, printing, and foundries. Regulations prohibiting the expansion of production capacity in industries such as textiles, fertilisers, radio, paper, cellulose, wire netting, steel tubes, lead products, earthenware, tiles, watches, and buttons were also promulgated.

Twenty-seven Control Boards not only supervise the value and sources of imports, but in many cases give definite instructions as to the disposal of materials available within the home market. For example, most detailed and stringent regulations were issued and enforced restricting the use of certain metals. Standards were imposed for the manufacture of consumption goods for the domestic market, particularly for fats in soaps, rubber in tyres, cocoa in chocolate. The degree to which the textile industry is controlled is set out in Chapter 18.

Government influence was also evident in measures such as the transfer of factories to new sites, Central Germany being preferred at the expense of frontier districts, in the promotion of new enterprise such as the distillation of oil from lignite and coal, the manufacture of synthetic rubber and artificial textile fibres, and in the great expansion of output of metals and motor vehicles.

Industrial Production.—During 1934 and 1935 the index of industrial production rose steadily as the following table shows :—

1928	= 100.
1932	= 54·0.
1933	= 61·5.
1934	= 80·9.
1935 January	= 85·0.
April	= 94·7.
September	= 103·4.
December	= 98·0.

The production of investment goods was chiefly responsible for this increase, showing as it did a rise from 84 to 104, whereas production in the processing or consumption goods branches decreased from 86 to 84.5 during the same period. As a result of the continuation of the work-creation programmes initiated in 1933, and of the steadily increasing importance of armament orders, the iron and steel, the non-ferrous metal, the cement and the engineering industries were kept very busy in 1934 and 1935, and it was estimated that Government orders in 1935 accounted for about two-thirds of the output of the production goods industries as compared with about one-fifth in 1928. The principal Government orders outside the programme necessitated by rearmament were in connection with labour-employing schemes such as motor highways, land reclamation, harbour and canal construction, the erection of large public and party buildings, and measures in furtherance of domestic production of raw materials hitherto imported.

The consumption goods industries were more exposed to normal commercial influences and did not show so intense activity in 1935 as the production goods industries. The increase in prices and difficulties in obtaining supplies of raw materials, competition for labour with the production goods industries and the absence of any appreciable rise in the total purchasing power of the consuming public were factors which combined to keep the pace of consumption goods productivity from increasing as fast as that of investment goods. At the end of 1935, the rate of production of capital goods might be suspected of having passed its peak as a result of a slackening in the rate of Government armament orders; consumption goods industries, despite the rise in production figures, might be said in 1935 to have been in a state of comparative stagnation which in some branches threatened to develop into a slump. Appendices XIX and XXII give tables showing the results of the industrial census in 1925 and 1933 and statistics compiled by the Factory Inspection Department giving changes in the number of workers in all branches of industry between 1932 and 1934.

Industrial Earnings.—The net profits of five hundred and seventy four industrial concerns rose from RM. 80 million in 1933 to RM. 209 million in 1934, compared with about RM. 500 million in 1927 and 1928. With a view to bringing these figures up to date, the Reichskredit Gesellschaft carried out a special enquiry and made an analysis of the balance sheets of twenty-five industrial companies published in the latter half of 1935 with a total capital of RM. 650 million. While gross profits rose from RM. 489 million in 1934 to RM. 585 million in 1935 on account of a substantial expansion in the volume of sales, net profits earned declined slightly from RM. 30.2 million to RM. 29.7 million. Among the reasons suggested are the operation of the law of diminishing returns

in industries working on production goods, higher taxation, increased contributions of employers to social funds, and the levy imposed on industry for the subsidisation of exports.

Marketing Regulation.—Nothing approaching in scope to the market regulation system of the Estate of Agriculture has yet been launched by the Estate of Industry, which indeed, as indicated above, lags far behind its elder sister in the efficacy of its membership control, but the evolution of such a system is foreshadowed, and many of the measures affecting the home market such as the textile, metal and rubber manufacture restrictions already in force may be regarded as the foundations on which a national marketing scheme for industrial products may soon be built.

At the end of February, 1936, a leading city editor wrote:—

“Germany, the original home of the cartel idea, with its three thousand or so cartels and syndicates including the oldest and most refined varieties, has entered a fresh phase of development, and is at the moment in a stage of compromise and transition. We are to-day swaying between the policy of self-administration of industry through cartels and the policy of comprehensive market regulation by Government, between liberalism and socialism in industrial affairs, between partial and total market control, between voluntary agreements and compulsory regulations, between State control of a general type and the establishment of a full dress State market-regulation administrative system, with national headquarters, local offices, price control, etc.”

It is realised that so long as Germany depends so heavily as at present for her economic existence on the export of finished goods, a thorough industrial market organisation on the lines of the Agricultural Estate system would be a policy fraught not only with grave problems of application, but with peril to a branch of German economic activity already labouring under great difficulties—the export trade.

Fairs and Exhibitions.—In 1934 the “Institute for Commercial Propaganda” took over the control of all fairs and exhibitions. In that year 167 exhibitions were arranged. The number was reduced to 67 in 1935, and the Institute reported that private interests had been entirely eliminated from the organisation of fairs and exhibitions, which had now been rationalised. More attention would be paid to the cultural aspect in future.

At the conference of the Trade Section of the Corporative Organisation, the Director, in a review of activities, declared that the year 1935 had in every sense of the word been a year of sacrifice for the public benefit. The efforts of the Authorities to keep prices stable with a view to maintaining the purchasing power and ensuring the essential food supply of the people, and the measures taken

in this connection by the Agricultural Estate had resulted in a very substantial shrinkage of the margin of profit earned by shopkeepers.

New Firms and Bankruptcies.—The radical fluctuations in the industrial and commercial situation in the past two years have resulted in the establishment of numerous new firms and the liquidation of others. In 1935 the big majority of new firms consisted of undertakings with an individual proprietor, the total registered being 16,500 or 15 per cent. more than in 1934. On the other hand the number of joint stock companies and private companies founded was the lowest on record for many years; only 41 joint stock companies were formed, or half of the number in 1932, the year of deepest depression. One thousand four hundred and ninety five private companies were registered as against 2,397 in 1934 and 4,045 in 1932. One thousand eight hundred and thirty eight co-operative societies were formed in 1935, as against 3,853 in 1934, when the organisation of agricultural marketing was put into effect.

Liquidations during 1935 included 856 joint stock companies and 8,892 private companies, compared with 602 and 4,890 respectively in 1934. In addition 15,700 individual undertakings were cancelled in the commercial register; 13,400 of these were compulsorily closed down by the authorities and consisted partly of Jewish firms.

The bankruptcies and compositions of the past few years are shown below :—

	<i>Year.</i>	<i>Bankruptcies.</i>	<i>Compositions.</i>
1929	13,180	5,001
1931	19,254	8,628
1932	14,138	6,189
1933	7,954	1,476
1934	6,219	774
1935	5,945	772

The depression of 1929-1933 served to eliminate many firms who were financially weak. Since the latter date the revival in home trade has tended to remove a great deal of the strain.

The number of bills protested in 1935 was less than one per thousand and showed a slight decline compared with 1934, whereas bills in circulation increased considerably. The improvement is largely due to the displacement of ordinary commercial bills by large issues of Government drafts in respect of public contracts.

CHAPTER XV.

The Estate of Industry and Trade ; The Estate of German Handicrafts.

The Estate of Industry and Trade.—By an Enabling Act of the 27th February, 1934, the Minister for Economic Affairs was empowered to prepare the groundwork of an Estate of Industry and

Trade (Organisation der gewerblichen Wirtschaft). He was in particular authorised :—

- “ 1. to recognise associations as the sole representative of their branch of trade or industry ;
2. to establish, dissolve or amalgamate associations ;
3. to change and supplement the statutes and agreements of associations and in particular to introduce the principle of leadership ;
4. to appoint and dismiss leaders of associations ;
5. to compel employers and undertakings to join associations.

Associations for the purposes of the law are associations and federations of associations which are charged with the safeguarding of economic interests of employers and undertakings.”

The First Executive Decree under the Law for the Preparation of the Organic Construction of Industry and Trade was issued on the 27th November, 1934 ; it aims at linking together the units composing German Industry and Trade, both functionally and territorially, into a single master entity under the ultimate control of the Minister for Economic Affairs. The organisation of units which forms the basis of the Estate are functionally the industrial and commercial associations and federations and territorially the Chambers of Commerce and Chambers of Handicraft.

The object of the law is to supply the Government with an instrument which will enable it to do more than supervise Industry and Trade. In the National-Socialist State it is essential that Government should be in a position to direct Industry and Trade so that in case of emergency the requirements of the nation can properly be met. Within these and corollary limits private initiative is given full freedom of action. On the occasion of the inauguration of the Reich Council of Labour and Industry at Nürnberg, Dr. Schacht, Acting Minister for Economic Affairs, stated that the times were past when Industry could use their earnings entirely for their own ends and for whatever purpose they thought fit ; business profits must be employed in such a manner as to benefit the community of the German people, in other words : Business must serve the Nation.

A regards the construction of the Estate of Industry and Trade generally, two principles of outstanding importance have, as in the case of the other corporative organisations in National-Socialist Germany, been applied throughout ; these are (a) compulsory membership and (b) the leadership principle.

All employers and undertakings (natural and juridical persons, private undertakings and those of the States and Municipalities) independently engaged in a branch of Trade or Industry are compulsorily and automatically members of their respective functional and territorial corporative formations. Failure to register is subject to heavy fines. There are, accordingly, no outsiders.

Each formation under the Estate has a Director (Leiter). The director acts in an honorary capacity; he is appointed, at the recommendation of the director of the next higher formation by the latter's superior, or by the Minister for Economic Affairs. The director of a formation or his deputy is the representative of his group, even for legal purposes; he gives instructions to the manager (Geschäftsführer) or managers of his group in matters of current business. Each director is assisted by an Advisory Council which must be consulted before the budgets are drawn up or the amounts of contributions payable by members fixed.

Assemblies must be called at least once a year by all formations. In assembly the members are made acquainted with the activities and financial position of the formation. A resolution must be submitted as to whether the director enjoys the confidence of the members; the outcome of the submission of the resolution to the assembly must be reported to the director of the next higher formation who, in case the assembly has passed a vote of censure upon its director, must consider the latter's recall.

Chart A shows the functional classification of the Estate of Industry and Trade; Chart B gives a general picture of the schematic construction, both functional and territorial, of Industry and Trade, as well as its connection with Transport and the Labour Front; Chart C illustrates the construction of "Industry" from an individual concern upwards.

The functional classification is as follows:—

Six National Branches of Business (Reichsgruppen)
Trade Groups (Wirtschaftsgruppen), comprising
Sections (Fachgruppen) and
Sub-Sections (Fachuntergruppen).

The six National Branches are:

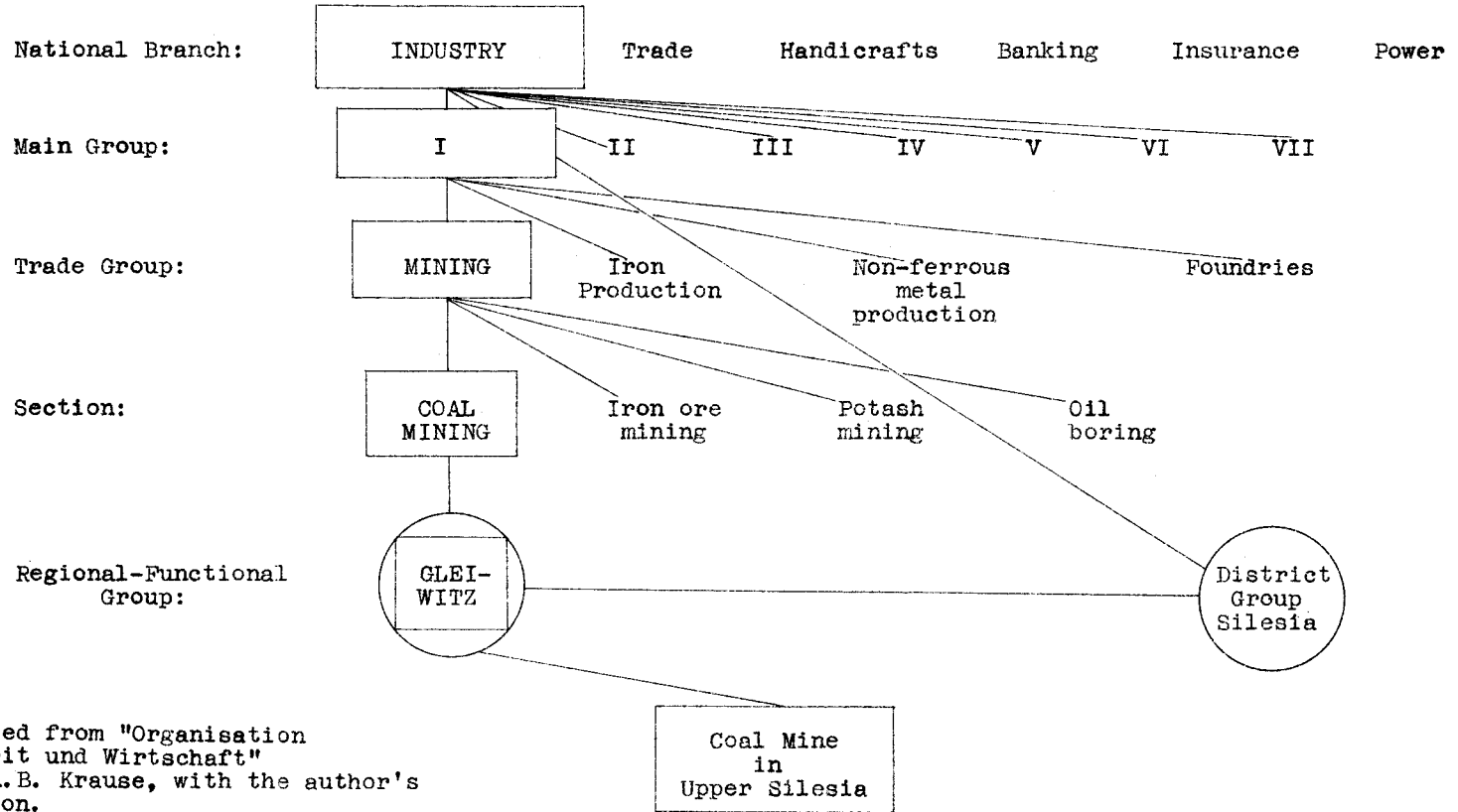
- (1) Industry
- (2) Handicrafts
- (3) Trade
- (4) Banking
- (5) Insurance
- (6) Power.

"Industry", as the most extensive of the Branches, has an intermediate sub-division of seven Main Groups (Hauptgruppen) between itself and the Trade Groups. All National Branches are represented in the Reich Economic Chamber (Reichswirtschaftskammer), the supreme body of the whole Estate, which is described below. The Trade Groups, which have legal status, are by far the most important bodies under the functional organisation; they collect contributions from, and draw up the budgets for, their Sections and

Chart C

ESTATE OF INDUSTRY AND TRADE

Construction of National Branch "Industry" from an individual concern upwards.



Reproduced from "Organisation von Arbeit und Wirtschaft" by Dr. A.B. Krause, with the author's permission.

Sub-Sections. The director of a Trade Group is authorised to impose disciplinary punishment on members.

The duties of the functional formations are : general economic policy, trade policy, taxation matters, questions relating to finance, banking, credit, foreign exchange control, insurance, patents and propaganda. The functional formations do not concern themselves with market and production regulation, nor with questions of wages. The former is a matter for existing cartels, or for such new market organisation as may be developed on National-Socialist lines ; the latter are reserved for action by the Labour Trustee (see Chapter 35).

Regional organisation is effected by National Branches of Business forming District Groups (Bezirksgruppen) in the 14 industrial Districts (Wirtschaftsbezirke) enumerated below and District Sub-Groups (Bezirksuntergruppen) in the districts of the Chambers of Commerce. Such regional classification has up to the present only been carried out by 1, " Industry " ; 2, " Trade " ; and 3, " Handicrafts ". The regional organisation of " Handicrafts " is described below.

1. As regards " Industry ", the director of that Branch decreed in an order of the 14th March, 1935, that a District Group should be formed in each Industrial District. These District Groups are the former regional Employers' Associations remodelled on the leadership principle. The directors of District Groups are in practically all cases well-known industrialists. In addition to and affiliated with the District Groups are the so-called functional-regional groups, i.e., regional groups established by any of the formations under the functional structure of the Estate of Industry and Trade if an urgent economic necessity exists to join together all undertakings of a given branch of industry within an Industrial District. There is a strong desire on the part of the authorities in charge to confine the number of these functional-regional groups to a minimum, in order to keep expenses down and prevent over-organisation. At present about 14 Trade Groups of the " Industry " Branch of the Estate have regional-functional groups.

A District Group is made up of the Sections in its district which form part of the functional structure of the Estate. District Sub-Groups have been formed, where necessary, or are still in progress of being established. The duties of the District Groups and District Sub-Groups are to attend to matters which jointly concern members of " Industry " within the district, to advise members and to send in reports of the work done to " Industry ".

2. The regional classification of the " Trade " Branch is carried out on similar lines, except that in view of the large number of members this Branch also has local regional formations (Ortsgruppen).

These regional member-groups are closely connected with the statutory territorial representation of trade, viz. :—

The Reich Economic Chamber (Reichswirtschaftskammer)	} Central
Industrial Boards (Wirtschaftskammer) ... ..		District
Chambers of Commerce (Industrie- und Handelskammer)	} Local
Chambers of Handicrafts (Handwerkskammer)	

As the Reich Economic Chamber comprises representatives of the functional as well as regional organisation, it is described later in this report; in this paragraph which confines itself to a description of the regional organisation, only pure regional bodies, viz., 1, the Industrial Boards, and 2, the Chambers of Commerce and of Handicraft are dealt with.

1. There are 18 Industrial Boards in the 14 Industrial Districts, as follows :—

<i>Industrial District.</i>	<i>Industrial Boards.</i>
East Prussia	Königsberg.
Silesia	Breslau.
Brandenburg	Berlin.
Pomerania	Stettin.
Schleswig-Holstein	Hamburg.
Lower Saxony	Bremen and Hanover.
Westfalia	Dortmund and Dusseldorf.
Rhineland	Cologne.
Hesse	Frankfort.
Central Germany	Magdeburg and Weimar.
Saxony	Dresden.
Bavaria	Munich.
South-Western Germany	Karlsruhe and Stuttgart.
Saar-Palatinate... ..	Saarbrücken.

The Industrial Boards are under the directorship of the President of the local Chamber of Commerce. He has two deputies, one of which must always be the regional representative of the Estate of Handicrafts (Landeshandwerksmeister) mentioned on page 96, the other deputy, appointed by the Minister for Economic Affairs, is usually a representative of the most important industry in the district. Each Industrial Board has an Advisory Council consisting of :—

- the directors of the District Groups;
- the directors of the National Branches and Main Groups residing in the district;
- the Presidents of the Chambers of Commerce in the district;
- the Presidents of the Chambers of Handicraft in the district;
- one representative of the Agricultural Estate; and
- one representative of the Municipalities in the district; representatives of those branches of industry which are of the greatest importance to the district.

The Industrial Board is, therefore, a combination of all formations of the Estate of Industry and Trade within its district. It is the duty of an Industrial Board to ensure useful co-operation between

its members and to deal with all economic questions which jointly affect the district. The duties have not been defined by law, but vary in each case according to the special statutes of the Board. On the whole it can be said that matters of a functional nature are attended to by the district group or regional-functional group competent for the branch of industry concerned and matters of a general nature affecting the economic district as a whole by the Chamber of Commerce. The Industrial Board has no legal status; its work is carried out by the Chamber of Commerce and the district Groups at the premises of the Chamber of Commerce in the cities enumerated above.

2. The next stage lower in the statutory territorial representation of industry and trade are the Chambers of Commerce and Chambers of Handicraft. These bodies comprise as members all the individual industrial or handicraft concerns in their districts under the regional, as well as functional organisation. Their function and general organisation are already well known but for the sake of completeness of this survey, are recapitulated below in order to show their place in the general scheme of the new order. The Chambers of Handicraft are described on page 96.

The Chambers of Commerce are statutory corporations and are the representative bodies of industrial and trade enterprises in a district. Membership of the Chamber is compulsory. The duty of the Chambers of Commerce is to attend to all matters which jointly affect their members and to advise the latter. In addition to questions of a general economico-political nature the Chambers deal with questions of taxation and foreign exchange, export and export promotion, vocational training, training of apprentices and commercial arbitration. They are also competent for matters in connection with Government orders, for assisting the authorities in the promotion of trade and industry. By a decree of the Minister for Economic Affairs of the 20th August, 1934, the Chambers of Commerce were remodelled on the leadership principle. Their leaders, or Presidents, are appointed and recalled by the Minister for Economic Affairs under whose control the Chambers are. The Presidents are assisted by an Advisory Council, of which he appoints the members.

The former Federation of German Chambers of Commerce (Industrie- und Handelstag) was converted by decree of the Minister for Economic Affairs into the Combine of Chambers of Commerce and Industry (Arbeitsgemeinschaft der Industrie- und Handelskammern) with effect as from the 1st January, 1935. It is the representative body of all Chambers of Commerce, including German Chambers of Commerce abroad, in the Reich Economic Chamber described below, and attends to all matters jointly affecting the Chambers of Commerce. The director of the Combine, who must be a President of a Chamber of Commerce, and his deputies, are appointed by the Minister for Economic Affairs. The director is assisted by an Advisory Council, consisting of not more than 30

representatives of Chambers of Commerce and of the directors of the Industrial Boards. The Advisory Council must be consulted, in particular before the budget is drawn up, in regard to contributions and on subjects involving matters of principle, particularly in respect of organisation. The director of the Combine calls meetings of members at which he presides and decides on the topics for discussion. The director also appoints, with the approval of the Minister for Economic Affairs, the manager of the Combine and the other employees. The costs of the Combine are borne by its members.

The Reich Economic Chamber is the supreme body under the Estate of Industry and Trade and comprises both the functional and regional formations. It has legal status and its statutes are determined by the Minister for Economic Affairs. The latter appoints its director and the latter's deputies. The director appoints one or several managers who attend to the current business of the Reich Economic Chamber. The office premises of the Reich Economic Chamber are in Berlin in the office of the former Federation of German Chambers of Commerce. The director is assisted by an Advisory Council consisting of:—

- the director of the Combine of the Chambers of Commerce;
- the directors of the National Branches and Main Groups;
- the directors of the Industrial Boards;
- four representatives of Transport;
- representatives of the Agricultural Estate;
- representatives of the Municipalities, and
- industrialists appointed by the Minister for Economic Affairs.

The first meeting of the Advisory Council took place on the 4th September, 1935, at the request of the director of the Reich Economic Chamber. On this occasion the members of the Advisory Council swore an oath of allegiance to the Chancellor and promised, in fulfilment of the National-Socialist economic policy, to devote all their strength to the development of National-Socialist Germany and to promote the Chancellor's work by concentrating all their thoughts and activities on ensuring a lasting genuine national community.

The duties of the Reich Economic Chamber are to attend to all matters which jointly concern the National Branches of Business, Transport, the Industrial Boards, the Chambers of Commerce, the Chambers of Handicraft and to carry out any special work which may be entrusted to it by the Minister for Economic Affairs. In fact, the Reich Economic Chamber is the prime instrument by means of which the Minister for Economic Affairs is enabled systematically to influence the conduct of German Economy.

The members of the Advisory Council of the Reich Economic Chamber are at the same time members of the Reich Council of Labour and Industry (Reichsarbeits-und-wirtschaftsrat) which forms the supreme body under the link organisation between Trade, Industry and Transport on the one side and the Labour Front

on the other. This link organisation, entitled Joint Self-Administration of Labour and Industry (Selbstverwaltungsgemeinschaft von Arbeit und Wirtschaft), was established as a result of the Leipzig Agreement of the 26th March, 1935. It comprises the following bodies :—

1. Reich Council of Labour and Industry (Reichsarbeits-und-wirtschaftsrat).
2. District Councils of Labour and Industry (Bezirksarbeits-und-wirtschaftsräte).
3. Local Labour Committees (Arbeitsausschüsse).
4. Mutual Trust Councils (Vertrauensräte) in the individual undertaking.

This Organisation is also shown on Chart B.

Joint Self-Administration of Labour and Industry.—1. The Reich Council of Labour and Industry has its seat in Berlin; it consists of the Advisory Council of the Reich Economic Chamber, the members of which have already been enumerated, and of members of the Reich Chamber of Labour (Reichsarbeitskammer). Every member of the Reich Council of Labour and Industry must be an "individual" member of the Labour Front (see Chapter 34). The meetings of the Council are called by the Labour Front director in conjunction with the director of the Reich Economic Chamber. The Ministers for Economic Affairs and Transport and the Minister of Labour are invited to attend the meetings. The first meeting took place on the 14th September, 1935, at Nürnberg, on the occasion of the third annual meeting of the Labour Front. The duties of the Reich Council of Labour and Industry are defined in an order of the Labour Front Director as follows :—

- to carry out any work entrusted to the Council by the Government, the Labour Front and the Reich Economic Chamber;
- to discuss economic and politico-social questions concerning both organisations;
- to receive and distribute announcements of the Government, the Labour Front and the Reich Economic Chamber.

The Reich Chamber of Labour mentioned above is under the control of the Labour Front Director who also appoints its members (about 80, viz. 18 directors of the Reich Trades Divisions, 33 Labour Front Region stewards, 20 chiefs of the headquarter departments of the Labour Front and specially appointed members, for instance the heads of the Sections of the Organisation Office of the Labour Front, and representatives of the Agricultural Estate). The Reich Chamber of Labour has to carry out the work entrusted to it by the Labour Front Director, in particular to prepare material for discussion and settlement by the Reich Council of Labour and Industry. The first meeting of the Reich Chamber of Labour took place on the 31st August, 1935, when the members swore an oath of allegiance to the Chancellor and pledged themselves to

promote solidarity and to place the interests of the Nation above everything else.

2. District Councils of Labour and Industry have not yet been established. 18 such Councils are contemplated, one for each of the Industrial Boards. They will consist of the Advisory Council of the Industrial Board and the Chamber of Labour (*Arbeitskammer*) of the Labour Front in the district. The duties of the District Councils of Labour and Industry correspond to those of the Reich Council of Labour and Industry.

As regards the Chambers of Labour, the Director of the Labour Front decreed on the 13th June, 1935, that 18 such Chambers should be established, but additional Chambers have since been formed, so that there are at present 26 in all, as follows:—

<i>District.</i>	<i>Seat of Chamber.</i>
East Prussia	Königsberg.
Silesia	Breslau.
Pomerania	Stettin.
Berlin-Brandenburg	Berlin.
Hamburg	Hamburg.
Schleswig-Holstein	Kiel.
Bremen	Bremen.
South Hanover-Brunswick	Hanover.
Düsseldorf	Düsseldorf.
Westfalia-Lippe... ..	Dortmund.
Köln-Aachen	Cologne.
Hesse	Frankfort.
Magdeburg-Anhalt	Magdeburg.
Thuringia	Weimar.
Saxony	Dresden.
Munich-Upper Bavaria	Munich.
Baden	Karlsruhe.
Wurttemberg	Stuttgart.
Saar-Palatinate... ..	Saarbrücken.
Swabia	Augsburg.
Mecklenburg-Lübeck	Schwerin.
Main-Franconia	Würzburg.
Koblenz-Trier	Koblenz.
Halle-Merseburg	Halle.
Franconia	Nürnberg.
Eastern Bavaria	Bayreuth.

Each Chamber comprises the following members, appointed by the Labour Front Director:—

(1) the Region Stewards (*Gauwalter*) of the Labour Front in the district;

(2) one Region Steward of each of the Reich Trade Divisions (*Gaubetriebsgemeinschaftswalter*) if a Reich Trades Division exists within the district of the Chamber;

(3) District Stewards (*Kreiswalter*) of the Labour Front may also be appointed members;

(4) representatives of the Agricultural Estate;

(5) heads of the Sections of a Labour Front Regional Office which correspond to the Sections (*Reichsämter*) of the Organisation Office of the Labour Front.

3. The next lower stage in this link organisation is formed by the Labour Committees (Arbeitsausschüsse). It was reported in February, 1936, that 3,000 such Labour Committees had been established and their number will probably increase, for it is contemplated that all works or firms of the same branch of trade within a radius of 50 kilometres shall form a Labour Committee; the latter shall consist of not more than 12 members, six employers and six employees. At least half of the members must belong to the Committee of Experts (Sachverständigenausschuss) which is formed to assist the Labour Trustee of the district in matters affecting the particular trade which the Labour Committee represents (see Chapter 35). The Director of the Labour Front has laid down standing orders for the Labour Committees which have been applied since the 25th January, 1936. The Labour Committees may not themselves make decisions, but are restricted to discussion and the submission of recommendations to the Labour Trustee and the Labour Front (Section for Social Self-Administration—Amt für soziale Selbstverantwortung). The Committees must deal particularly with questions of a politico-social nature affecting their particular trade, for instance: wage schedules, particularly the labour conditions laid down therein; piece-work rates; measures for preventing accidents and occupational diseases; welfare; annual holidays, etc. The Chairman of the Committee, who is elected at each meeting, must alternately be an employer and employee. It is considered that the Committees will be of considerable practical importance for the settlement of questions which would otherwise have to be brought before the Labour Trustee; the latter may attend the meetings.

4. The Mutual Trust Councils described in Chapter 35 may be regarded as representing the Joint Self-Administration of Management and Labour within the individual undertaking as they are formed by the head of a firm and members of the staff. The Mutual Trust Councils confine themselves exclusively to matters affecting the individual enterprise.

The Estate of German Handicrafts.—The Estate of German Handicrafts (Reichsstand des Deutschen Handwerks) has been formed largely on the basis of former handicrafts unions, the central body of which was the Federation of German Handicrafts (Reichsverband des Deutschen Handwerks). A law of the 29th November, 1933, empowered the Minister for Economic Affairs and the Minister of Labour to draw up a provisional organisation and a decree was issued in June, 1934, dealing with its establishment. The Estate with its seat in Berlin comprises all firms and individuals entered in the Register of Craftsmen, as well as all journeymen and apprentices employed by them.

The Estate is purely a regional organisation (see Chart facing page 96), while the functional organisation, formerly under the

Federation of German Handicrafts, is incorporated in the Handicrafts Branch of the Estate of German Industry and Trade, briefly outlined in the table on Chart B.

The Grand Master of Handicrafts (Reichshandwerksmeister), who is appointed by the Minister for Economic Affairs, is the Director (Leiter) of the regional and functional organisations. He has a Deputy Master (Landeshandwerksmeister) in each of the following provinces :—

Brandenburg ...	...	...	...	Central Germany.
East Prussia ...	...	...	...	South-west Germany.
Pomerania ...	...	...	...	Bavaria.
Schleswig-Holstein ...	...	...	...	Saxony.
Lower Saxony ...	...	...	...	Hesse.
Rhineland ...	...	...	...	Silesia.
Westfalia ...	...	...	...	Saar-Palatinate.

The Grand Master is also Director of the Federation of Chambers of Handicrafts (Deutscher Handwerks-und Gewerbe-kammertag). This Federation of the 61 Chambers of Handicrafts is a statutory body, which, in addition to attending to the interests of its members, co-operates in the application of relevant legislation. The General Secretary is appointed by the Director in conjunction with the Minister for Economic Affairs. The Federation has also an Advisory Council to assist the Director, formed generally by master craftsmen from each of the above Districts.

The former Chambers of Handicrafts have been remodelled on the leadership principle; the presidents have been appointed by the Minister for Economic Affairs after consultation with the Federation of Chambers of Handicrafts. The Chambers act as the central organisation of the guilds in their area and keep the Register of Craftsmen. Each Chamber has an Advisory Council whose members are nominated for three years by the President. A Court of Honour at each Chamber deals with such offences as unfair competition, overcharging, etc.

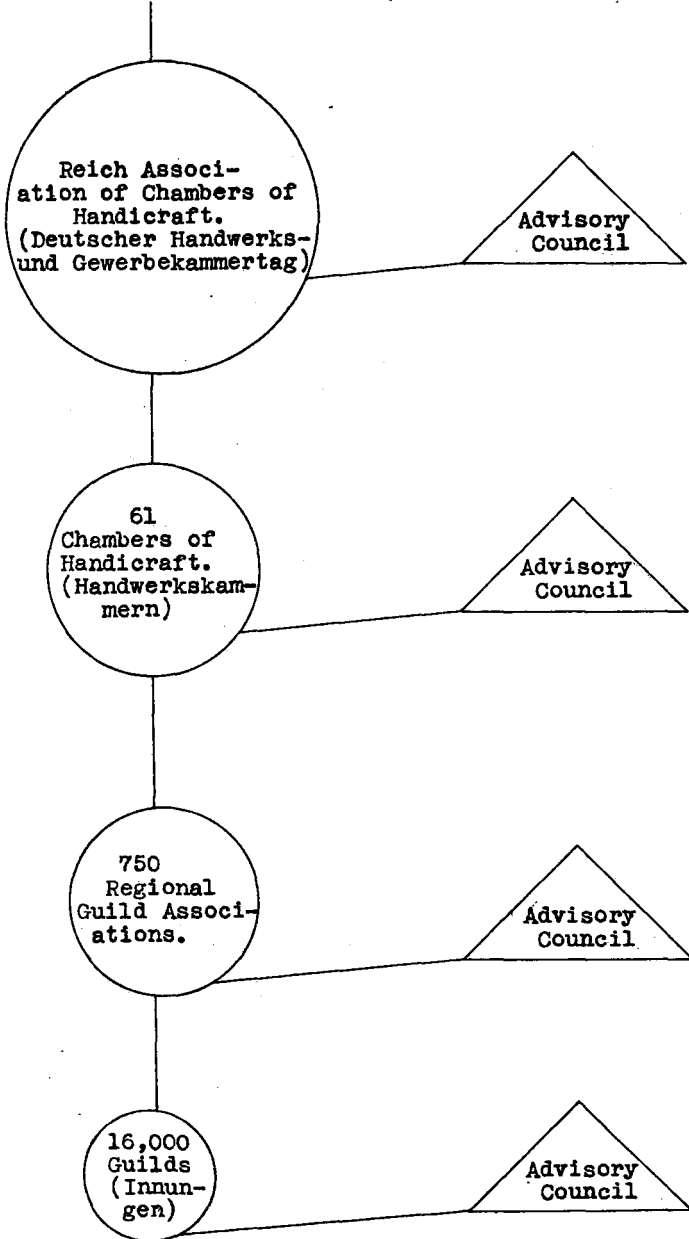
Chambers of Handicrafts establish the guilds and issue their statutes. There are reported to be 16,000 guilds in Germany at present. A guild comprises all persons entered in the Register of Craftsmen for any particular branch in a district corresponding as a rule to a municipal or urban district and is directed by a Master who appoints the members of his Advisory Council. Guilds are statutory bodies. There can be only one guild for each branch in every district.

The Chambers of Handicrafts divide their areas into regions and all guilds situated within such region together form a Regional Guild Association (Kreishandwerkschaft), of which 750 are in existence. Their duties consist mainly in co-operating with the local authorities and putting into execution instructions of the competent Chamber.

ESTATE OF GERMAN HANDICRAFTS (Regional Structure)
(Reichsstand des Deutschen Handwerks)

REICH MINISTER FOR ECONOMIC AFFAIRS

Grand Master of Handicrafts (Reichshandwerksmeister)



The funds of guilds must be raised by contributions levied on members according to their capacity. The same principle is applied to levies imposed by other bodies of the Estate of Handicrafts, the subscription towards current expenses being proportionate to membership.

The total number of handicraft undertakings included in the Estate was given as 1,598,600 in March, 1936.

CHAPTER XVI.

FUEL AND POWER.

Coal and Lignite ; By-products ; Coke, Gas, &c. ; Electricity.

Coal and Lignite. Production and Consumption.—The output of coal in Germany continued to improve substantially in 1935, although the higher figures are partly accounted for by the incorporation of the Saar mines in March. In 1929 Germany had a coal output of 163 million tons, which dropped to 143 million tons in 1930 and 105 million tons in 1932; there was an increase to 110 million tons in 1933, 125 million tons in 1934 and 143 million tons last year. Details of solid fuel produced in 1935, compared with the monthly averages for 1932, 1933 and 1934 are given in Appendix V.

Apart from the Saar mines, which furnished 9 million tons from March to December, 1935, the general rise in production amounted to 7 per cent. Output of the Ruhr mines advanced from 90 million tons in 1934 to 98 million tons last year, representing 68 per cent. of the total German coal production. There was also an increase from 17 to 19 million tons in Upper Silesia and a small improvement took place in Lower Silesia, but there was a slight decline in production in the Aachen District and Saxony.

The daily output of the Saar mines which averaged 47,000 tons in 1934 dropped by March, 1935, to 33,700 tons and improved again by the end of the year to 39,800 tons. In January, 1936, the monthly output exceeded 1,000,000 tons for the first time under the German administration.

The high figures for the whole of Germany were attributed largely to the trade revival at home, especially to additional fuel requirements of industry and for processing in cokeries. Sales to the railways and public transport undertakings were 7 per cent. higher than in 1935.

Stocks of coal and coke at the end of 1934 and 1935 were as follows :—

Coal and Coke Stocks at the end of 1934 and 1935.

		<i>(In thousand tons.)</i>			
		<i>Coal.</i>		<i>Coke.</i>	
		<i>1934.</i>	<i>1935.</i>	<i>1934.</i>	<i>1935.</i>
*Ruhr	... ..	2,265	1,836	4,427	3,149
Aachen	... ..	720	618	44	89
Saar...	... ..	167	100	—	—
Upper Silesia	... ..	1,244	1,188	263	109
Lower Silesia	... ..	166	145	200	89
Total	... ..	4,562	3,887	4,934	3,436

* Excluding Syndicate reserves estimated at about 870,000 tons at end of 1934 and 750,000 tons at end of 1935.

On 1st April, 1935, the Saar Mines were incorporated in the Ruhr Coal Syndicate which undertook the marketing of their production. In December they were formed into a public company of the Reich.

Labour.—The average number of miners employed in the chief coal mining districts is given below :—

Monthly average of coal miners employed.

<i>Monthly average in</i>	<i>Ruhr.</i>	<i>Aachen.</i>	<i>Saar.</i>	<i>Saxony.</i>	<i>Upper Silesia.</i>	<i>Lower Silesia.</i>
1932	203,639	25,529	50,975	16,854	36,422	16,331
1933	209,959	24,714	48,500	16,993	36,096	16,016
1934	224,558	24,339	47,279	17,655	37,603	15,832
1935	234,807	24,217	44,416	16,731	38,829	16,736

In view of the wide differences in the level of employment of various mines, partly owing to the fluctuating demand for certain kinds of coal and also to the fact that iron and steel concerns with their own coal supplies had a better outlet for their production, the German Authorities decided in August, 1935, to carry out a general relief campaign for miners. By a system of compensating production quotas, all miners were to be assured of at least 21 to 22 shifts per month. Workers in the Ruhr district were granted short time benefits without any waiting period. In addition, considerable sums of money were voted from Party funds, including R.M.5 million for the Ruhr and R.M.1 million for the Saar, for issue as relief to unemployed miners in the form of coupons for clothing and domestic necessaries. In March, 1936, the Ruhr Coal Syndicate received the approval of the Ministry for Economic Affairs to amend their price list with a view to assisting the sales of certain kinds of coal.

An official enquiry into the development of miners' wages from 1932 up to the middle of 1935 gave the following results :—

Wages in German coal mining industry.
(Reichsmark.)

	Average for all workers.		Average earnings per shift.			
			Miners.		Surface workers.	
	Per month.	Per shift.	Cutters.	Drawers.	Skilled.	Unskilled.
1932	137	6·63	7·66	6·02	6·81	5·66
1933	137	6·66	7·72	6·08	6·81	5·68
1934—1st quarter ...	146	6·70	7·79	6·20	6·80	5·65
2nd quarter ...	140	6·71	7·81	6·24	6·85	5·74
3rd quarter ...	148	6·72	7·83	6·31	6·81	5·69
4th quarter ...	157	6·77	7·87	6·31	6·84	5·71
1935—1st quarter ...	152	6·78	7·86	6·32	6·82	5·67
2nd quarter ...	143	6·78	7·87	6·31	6·89	5·77

Foreign Trade.—The following table shows imports and exports in the past three years:—

German Imports and Exports of Fuel

(In thousand tons.)

	<i>Imports.</i>			<i>Exports.</i>		
	1933.	1934.	1935.	1933.	1934.	1935.
Coal	4,156	4,862	4,270	18,444	21,937	26,774
Coke	718	776	751	5,382	6,166	6,611
Coal briquettes ...	79	110	94	816	724	819
	4,953	5,748	5,115	24,642	28,827	34,204
Lignite	1,582	1,777	1,660	3	1	2
	78	87	74	1,300	1,234	1,207
Total lignite... ..	1,660	1,864	1,734	1,303	1,235	1,209
Grand total of all kinds of fuel... ..	6,632	7,630	6,919	25,985	30,109	35,453

The increase in exports in 1935 as against 1934 was due almost entirely to the return of the Saar territory to Germany. Saar exports being included in German exports as from 18th February of that year. If suitable allowance is made for this it will be found that the increase was only about half-a-million tons in the case of coal and about one million tons in the case of all fuel exports.

German Exports of Fuel

(including the Saar in each year).

(In thousand tons.)

	1933.	1934.	1935.
Coal only	23,096	26,896	27,404
All fuel	30,658	35,094	36,156

The distribution of coal exports by countries is shown in the following table. Exports from the Saar are included in each case.

				<i>(In thousand tons.)</i>		
				1933.	1934.	1935.
France	...	...	...	7,762	7,836	5,525
Belgium and Luxemburg	...	...	...	3,451	3,515	3,403
Netherlands	...	...	...	4,794	5,676	5,385
Austria	...	...	...	359	279	396
Czechoslovakia	...	...	...	879	890	1,018
Switzerland	...	...	...	891	845	885
Italy and Possessions	...	...	...	2,537	5,133	7,443
Sweden	...	...	...	348	295	427
Denmark	...	...	...	113	196	247
Argentina	...	...	...	223	276	165
Brazil	...	...	...	336	322	540

The decrease in exports to France in 1935 was mainly due to the Franco-German Agreement of December, 1934, which reduced the export of Saar coal to France from 4.3 million tons in 1934 to two millions in 1935.

Imports.—The import table above shows an apparent decline in coal imports in 1935 of about 600,000 tons. This again was due to the anomalous position of the Saar, whose deliveries to Germany in 1935 were not included in the import figure, except for the first six weeks of the year. Imports from Holland, France and Czechoslovakia showed little change in 1935 as compared with 1934; imports of coal from the United Kingdom, on the other hand, increased from 2.54 million tons in 1934 to 2.96 million tons in the past year.

Values.—The value of exports did not keep pace with the volume. Whereas the average value of coal was R.M.18 per ton in 1931, the corresponding figure dropped to R.M.9.84 in 1934 and R.M.9.42 in 1935, which indicates the extent to which sacrifices were made in prices in order to maintain and, where possible, increase exports. The average value of coke exports declined from R.M.13.16 per ton in 1934 to R.M.13.05 per ton last year.

These reductions in prices were made possible largely through the operation of the Rhenish-Westphalian Syndicate levy. For example, the levy on sales participation increased from an average of 2.98 marks per ton in 1931 to an average of over 4 marks per ton in 1935, while special reductions in prices were brought about, in an increasing number of cases, by barter arrangements, and by the use of Compensation Marks and other forms of depreciated exchange arising out of blocked credits in Germany.

Lignite.—There was a further increase in the output of lignite in 1934 and 1935. The following table gives details of production in the various districts :—

German output of lignite
(In one thousand tons.)

Year.	Rhineland.	Central Germany.	East Elbe District.	Remainder of Germany.	Total.
1913	20,338	38,700	25,900	2,293	87,233
1929	52,851	71,284	47,452	2,870	174,456
1930	46,519	56,780	39,756	2,955	146,010
1933	39,769	51,340	33,098	2,589	126,796
1934	42,623	55,683	35,939	3,029	137,274
1935	45,423	60,450	38,372	3,135	147,381

The demand for lignite by large power stations was reported to have been very satisfactory in 1935. Sales of lignite briquettes showed less improvement; total output rose from 31 million tons in 1934 to 33 million tons in 1935.

By-products:—Coke.—The development of the cokery industry is shown in the following table:—

Development of Cokery Industry.

Year.	Number of works.	Number of persons employed.	Salaries and wages.	Number of coke ovens.		Coke output.	Value in	Annual output per oven in commission.
				Avail-able.	In com-mission.			
			R.M. million.			1,000 tons.	R.M. million.	Tons.
1929	144	23,721	65	19,052	16,388	39,421	841	2,405
1932	97	13,279	31	14,611	8,539	19,545	307	2,265
1933	92	15,280	33	14,067	8,582	21,154	316	2,441
1934	96	16,939	37	14,697	9,648	24,485	346	2,538

Even without the inclusion of the Saar, coke production increased during 1935 by 13 per cent. on 1934 output. The total, without the Saar, rose from 24·5 million tons in 1934 to 27·6 million tons last year. The chief improvements were in the Ruhr from 19·98 million tons to 22·95 million tons, Upper Silesia from 998,000 to 1·17 million tons, Lower Silesia from 859,000 to 943,000 tons and Lower Saxony from 346,000 tons to 434,000 tons.

This favourable development is attributed mainly to the revival in the iron and steel industry which increased its coke requirements by about 20 per cent. compared with 1934. The chemical industry also used a greater quantity of coke.

Among the new plant laid down in 1935 and early this year were 50 coke ovens by Klöckner at Rauxel with a capacity of 750 tons per day in replacement of 80 ovens producing 500 tons a day, and 39 new ovens by Hoesch-Köln Neuessen A.G. with a capacity of 240,000 tons per annum.

The coke output of the Saar was estimated at 2·4 million tons in 1935, or 180,000 tons higher than in the preceding year. New plant is being installed in the Saar to raise the coke output from 430 to 1,000 tons per day.

The output of by-products up to 1934 is given below :—

Year.	Tar.	Crude Benzole.	Sulphate of Ammonia, etc.	Cokery Gas.*
	Tons.	Tons.	Tons.	Million cubic metres.
1929	1,425,000	327,000	532,000	670
1932	774,000	190,000	286,000	980
1933	825,000	234,000	299,000	2,028
1934	951,000	270,000	348,000	2,286

* Note: These figures give the quantities sold and not the total output.

According to provisional reports, the output of crude tar was 10 per cent. higher in 1935. The demand for pitch and road tar was below the level of production, but large requirements of tar oils, naphthalene and anthracene enabled stocks to be partly cleared. Among the by-products of the Saar in 1935 were 38,750 tons of benzole, 129,000 tons of crude tar, 25,000 tons of ammonia and 344,000 tons of basic slag.

The synthetic production of benzine is dealt with in Chapter 13.

Gas.—Sales of gas by the Ruhrgas A.G., Essen, increased from 1,076 million cubic metres in 1933 to 1,399 million in 1934 and 1,672 million in 1935. This supply was distributed among the following consumers :—

	Million cubic metres.		
	1935.	1934.	1933.
Iron smelting industry	594	491	359
Ironware industry	665	518	383
Chemical industry	139	134	109
Glass and ceramic industry	43	41	33
Non-ferrous metal industry	28	22	17
Various industries	9	11	14
Industrial supply	1,478	1,217	915
Municipal supplies	194	182	162
Total	1,672	1,399	1,077

Ninety per cent. of the increase in consumption during the past year was due to additional requirements of the iron and steel industry.

The Ruhrgas A.G. produced 6,790 tons of sulphur in 1935, compared with 6,700 tons in 1934 and 6,670 tons in 1933.

The distribution among the principal classes of consumers has also undergone great changes, which are shown approximately below :—

Distribution of Gas Consumption in 1913 and 1934.

(In million cubic metres).

Used for	1913.	1934.
1. Domestic purposes—		
Lighting	1,000	200
Heating... ..	900	1,900
Total	1,900	2,100
2. Trade and Industry... ..	150	2,800
3. Street lighting	300	300
Total	2,350	5,000

To assist the Saar Territory a scheme for long distance gas supply from the Saar cokeries to the Palatinate was inaugurated in February, 1936. Local gas works are to be closed down.

Electricity.—The production of electricity of 122 public power works, representing over 90 per cent. of Germany's total output, amounted to 17,900 million kwh in 1935, as against 15,500 million kwh in 1934. The proportion furnished by water power rose from 15 per cent. to 17 per cent. Including the output of firms with their own generating plant, the total power supply in 1935 was estimated at between 34,000 and 35,000 million kwh, compared with 30,000 million kwh in 1934 and 26,000 million in 1933. The production of the Saar was about 400 million kwh.

About 70 per cent. of the whole supply is used by industrial concerns, 20 per cent. by small consumers and 10 per cent. by railways, tramways and municipal authorities.

The progress made in the use of electricity for domestic purposes is demonstrated by the increase in the number of electric stoves from 35,000 in 1929 to 232,000 in 1934 and 380,000 in 1935. About 110,000 electric water heaters have been installed, including 20,000 last year.

The Rheinisch-Westfälische Elektrizitätswerke A.G. declared a dividend of 6 per cent. in the years 1933-4 and 1934-5. Sales rose from 2,700 million kwh in 1933-4 to 3,500 million kwh last year.

In December, 1935, the Power Law was passed by the German Government providing for a control and reorganisation of the industry where necessary by the Minister for Economic Affairs. The flotation of new power companies, reconstruction, extension and limitation or cessation of production by existing plants must be reported and is subject to Government sanction. The powers of local authorities are restricted to prevent them from interfering with developments of general interest to the Reich. A unification and reduction of tariffs is also provided for and the Minister may in this connection prohibit power production by any individual enterprise. In the interests of national military security the Minister may make special conditions applicable to individual companies regarding the maintenance or construction of plants and the sale of power. Imports of electricity are also made subject to the control and sanction of the Minister.

During 1934 and 1935 various schemes were put into operation for extending the network of power supply. The capacity of the Harbke station near Helmstedt, belonging to the Braunschweigische Kohlenbergwerke A.G. was raised from 70,000 to 110,000 kw. One of the new 220,000 volt cables carries the supply to Lehrte (85 km) and the other via Magdeburg and Brandenburg to Spandau (110 km). Bremen, Lübeck and Lüneberg are to be linked up to this supply. Other projects in Central Germany include extensions by the Mitteldeutsche Kraftwerk Magdeburg A.G., involving an outlay of R.M.6 million, and the erection of a large transformer station at the Concordia Mine near Nachterstedt in connection with a 100,000 volt cable to be laid by the German Dye Trust. In West Germany the power supply to the Sauerland was improved by a new 100,000 volt line of the Vereinigte Elektrizitätswerke Westfalen, running from Gerstein Werk to Unna and Neheim, in

addition to improvements carried out by the Rheinisch-Westfälische Elektrizitätswerke. Another station was built at Gumbinnen in East Prussia and a cable laid to Insterburg.

CHAPTER XVII. METALLURGICAL AND ENGINEERING INDUSTRIES.

Iron and Steel.—Production.—The striking improvement in the German iron and steel industry since 1932 is clearly indicated in the following table:—

Production of Iron and Steel.

			<i>Output of pig iron.</i>	<i>Output of ingot steel.</i>	<i>Output of rolling mill products.</i>
			<i>(In 1,000 tons.)</i>		
1932	...	...	3,933	5,747	4,553
1933	...	...	5,267	7,586	6,006
1934	...	...	8,742	11,886	8,404
1935	...	...	12,539	16,096	11,184

These figures include the output of the Saar works, from March 1935 onwards, which from March to December 1935 amounted to 1,600,000 tons of pig iron, 1,800,000 tons of ingot steel and 1,322,000 of rolling mill products. Particulars of the distribution by districts of the steel output are given in Appendix VI and of the different kinds of rolling mill products in Appendix VII.

Government schemes for the creation of work and rearmament have provided an unparalleled impetus to the upward trend of production in the iron and steel and non-ferrous metal industries. The heavy demand for raw material by foundries, engineering and the automobile branch, and especially requirements for public building on an enormous scale, have, in 1935, led to a German output in pig iron and steel approaching the record figures of 1929 and the highest of any European country. The number of blast furnaces in commission rose from an average of 42 in 1932, to 48 in 1933, 73 in 1934, 95 in 1935 and 108 in February 1936.

Ores.—The policy of increasing the supply of ores from home sources for the iron and steel industries is dealt with in Chapter 13. The domestic production of iron ore rose from 1.3 million tons in 1932, to 3.8 million tons in 1934 and 5.3 million tons in 1935. 14 million tons of iron ore were imported in 1935, compared with 8.3 million tons in 1934, 4.6 million tons in 1933 and 3.5 million tons in 1932. Sweden and France each supplied over 5.5 million tons in the past year.

Scrap.—Particulars of German foreign trade in iron and steel scrap are given below:—

Foreign Trade in Iron and Steel Scrap.

			<i>Imports.</i>	<i>Exports.</i>	<i>+ Export surplus. - Import surplus.</i>
			<i>(Metric tons.)</i>		
1929	...	...	358,000	238,000	-120,000
1932	...	...	99,000	293,000	+194,000
1933	...	...	348,000	187,000	-161,000
1934	...	...	501,000	95,000	-406,000
1935	...	...	277,000	75,000	-202,000

The quantity of scrap transported by rail and water within Germany was 6 million tons in 1935, as against 4 million in 1934 and 3 million in 1933. Arrangements for the collection of scrap in the past year were reported to have led to greater deliveries from home sources; considerable quantities were obtained from the high shipping tonnage scrapped.

The supply of scrap in 1935 was insufficient to meet the exceptionally high demand. With a view to overcoming the shortage the Iron and Steel Control Board issued instructions in April for the use of a higher proportion of pig iron in certain processes which resulted in a saving of 30,000 tons of scrap per month.

In spite of minimum prices laid down by the Control Board, keen competition for available supplies in South Germany resulted in rising quotations and the sale of material to Silesia, although freight rates were more favourable to the Ruhr works. In January 1936 the Control Board drew up buying areas for the West German works on the one hand and the East and Central German works on the other. The "Scrap Trade Cartel" was finally formed in February 1936 for the purpose of regulating the market and maintaining a reasonable merchanting profit.

Foreign Trade.—Details of German foreign trade in iron ore, iron and steel and iron and steel goods during the past three years are given in Appendix VIII.

Foreign Trade in Iron and Steel of all kinds except Machinery and Vehicles.

Year.	Volume in 1,000 tons.			Value in R.M. million.		
	Imports.	Exports.	Export Surplus.	Imports.	Exports.	Export Surplus.
1929 ...	1,818	5,813	3,995	344	1,912	1,568
1932 ...	790	2,483	1,693	108	782	674
1933 ...	1,287	2,139	852	143	663	520
1934 ...	1,900	2,566	666	213	604	391
1935 ...	922	3,217	2,295	107	699	592

The apparent drop in volume of imports and rise in exports last year are largely due to the incorporation of the Saar Territory in March 1935. While the export surplus by weight was more than three times higher in 1935 than in 1934, the increase in value was only 50 per cent.

Imports in the past year consisted mainly of 342,000 tons sections from Luxemburg, France, Poland and Belgium, 98,000 tons pig iron from France and Sweden, 54,000 tons plates and sheets from Belgium and Poland, tinplate from the United Kingdom, and permanent way material from Poland.

The additional exports from the Saar account for 10 per cent. to 20 per cent. of the higher sales abroad. Otherwise the German iron and steel industry has by no means derived benefit from foreign sales in 1935 to the same extent as from the home market revival. In addition average prices fell from R.M.235 per ton in 1934 to R.M.217 last year. The chief classes of German exports by volume

were as follows.—Sections 26 per cent. of total, sheets 15 per cent., tubes 10 per cent., permanent way material 8 per cent., pig iron 7 per cent.; foreign sales of tubes and permanent way material doubled the preceding year's figures. The unused quota for 1934 in the International Steel Syndicate and advantages reaped by Germany from Clearing Agreements have favoured these results.

The approximate distribution of export trade was as follows:—

Iron and Steel Exports in 1935.

<i>Exported to markets in</i>	<i>Pig iron, Alloys, Scrap.</i>	<i>Rolling Mill Products.</i>	<i>Finished goods.</i>	<i>Total.</i>
	<i>(Metric tons.)</i>			
Europe	298,045	1,008,313	173,703	1,480,061
Africa	65	110,946	12,264	123,275
Asia	1,124	535,635	43,571	580,330
America	6,618	319,654	182,581	508,853
Australia	577	1,975	579	3,131
Total	306,429	1,976,523	412,698	2,695,650

Countries within Europe purchase practically the whole of German pig iron, more than half of rolling mill products and two-fifths of finished goods sold abroad. The principal European markets were as follows:—

1. West and North Europe.	2. Baltic States.
Holland 270,000 tons.	Finland 50,000 tons.
Denmark... .. 203,000 "	Latvia 27,000 "
Sweden 132,000 "	Estonia 14,000 "
Switzerland ... 103,000 "	Danzig 23,000 "
United Kingdom 66,000 "	
Belgium 59,000 "	4. South and Central Europe.
Norway 47,000 "	Greece 84,000 tons.
3. Eastern Europe.	Italy 58,000 "
Poland 72,000 tons.	Roumania 47,000 "
Russia 37,000 "	Bulgaria 44,000 "

Rolling mill products were the chief exports to Asiatic markets, which included the undermentioned:—

China 135,000 tons.	India 81,000 tons.
Turkey 108,000 "	Palestine 52,000 "
Japan 107,000 "	Dutch East Indies ... 31,000 "

Sales to American markets consisted of rolling mill products to the extent of three-fifths and the remainder of finished goods. Among the principal markets were:—

U.S.A. 101,000 tons.	Venezuela 27,000 tons.
Brazil 144,000 "	Colombia 21,000 "
Argentina 65,000 "	Mexico 20,000 "
Chile 62,000 "	

Iron and steel exports to South Africa amounted to 69,000 tons and to Egypt to 35,000 tons in 1935.

Exports of tinplate dropped from 135,000 tons in 1934 to 127,000 tons in 1935. Sales to Japan fell from 25,000 to 800 tons. Other markets with a lower demand included China, India, Mexico, Belgium, Italy, Holland, Norway and Spain. On the other hand exports of tinplate to the Argentine and Brazil rose heavily and there was also an improvement in sales to Denmark, Jugoslavia, Portugal, Sweden and Switzerland.

Wire rope exports advanced from 10,000 tons in 1934 to 13,000 tons last year, but prices were 9 per cent. lower. The chief markets were India and the U.S.A. Foreign sales of wire were higher both in volume and value than in 1934; Holland, Brazil and Chile were among the chief customers. Exports of wire and wire products to the U.S.A. rose from 16,000 tons in 1934 to 51,000 tons in 1935.

A striking improvement was achieved in tube exports. In 1934 they amounted to 94,000 tons with a value of RM.25 million; last year the corresponding figures were 229,000 tons and RM.44 million, the main countries of consignment including India, U.S.A., Venezuela, Palestine, Brazil and the Argentine.

The average monthly export of all kinds of iron and steel in 1935 was 191,600 tons; in January, 1936, the foreign sales were 230,797 tons, which is the highest reached in the past three years. Compared with December the greatest increases were in iron bars by 15,000 tons and forgings 4,000 tons.

The rebates (AVI) granted by the German Pig Iron Association and the Steel Association to manufacturers using raw material for exports amounted per ton to RM.6 on pig iron, RM.3 on semis, RM.6 on iron strip and RM.5 on other products of the latter Association in January, 1936.

Associations.—The agreement of the United Kingdom and Polish industries with the International Iron and Steel Cartel was viewed with great satisfaction by German manufacturers, who looked forward to more favourable export prices as a result of this agreement.

The German associations for wire and welded tubes were prolonged up to the end of 1936 and outside firms were compulsorily affiliated. In August, 1934 the installation of new plant for steel tube making was forbidden; the prohibition was subsequently prolonged until December, 1936, up to which date an arrangement was arrived at between the various tube associations regarding production quotas and prices.

The statutes of the German Ingot Steel Association, which was formed on the 1st February, 1930, for a period of ten years, included an agreement by which all member firms undertook not to open up new types of production to the detriment of other members without urgent reasons. This undertaking was valid only up to the 31st January 1935 and applied mainly to semis, permanent way material, sections, iron bars, strip, rolled wire, plates and sheets, tinplate, tubes, castings, forgings and special steels. Four firms wished to take advantage of the expiration of plates and

sheets and obtaining higher quotas for tubes. After fixing quotas for the Saar works from the 1st March 1935, the Association prolonged the above agreement until the 30th June, 1936. The four firms will not enter new branches of production in the meantime.

German Steel Trust (Vereinigte Stahlwerke A.G.).—The German Steel Trust was completely reorganised in 1933 and the balance sheet as at 31st March, 1934, marked the commencement of operations of the new concern. In the year ended September 1935 the Trust had a net profit of RM.137 million, which represented about 15 per cent. of the total turnover. Extraordinary profits amounting to RM.41 million are included in this sum. For the six months March to September 1934 net profits were RM.60 million. In 1935 the holding company declared a dividend of 3½ per cent. RM.128 million were written off plant and premises, compared with RM.53 million in the preceding half year. During the year under review new plant was installed to the extent of RM.38 million; the total item of plant and premises dropped, however, from RM.901 million in 1934 to RM.806 million in 1935.

The following figures give a comparison of output achieved and payments made by the Trust in the past two years :—

Output of Payments for Wages, etc. of Steel Trust.

		<i>October, 1933, to September, 1934.</i>	<i>October, 1934, to September, 1935.</i>
<i>Output of—</i>			
Coal	(In 1,000 tons)	17,405	19,439
Coke	"	4,594	5,486
Pig iron	"	3,500	4,782
Ingot steel	"	4,136	5,198
Rolling mill	"	3,146	3,892
<i>Payments made for—</i>			
Wages and salaries ...	(In RM. million)	254.5	314
Compulsory social services	"	31.5	35.5
Voluntary welfare ...	"	8.7	9.6

The number of workers rose from 127,300 in 1934 to 145,500 in 1935, of which 51,000 were employed by the Gelsenkirchener Bergwerks A.G.

Business in the current year has further improved; for the first five months the output of ingot steel averaged 500,000 tons, as against 435,000 tons last year. The present level of production for coal and iron is about 90 per cent. of the record figures in 1928-9. The management of the Trust stated that, according to their view of the market, Government measures for the creation of work had influenced a far-reaching revival in the requirements of iron and in other industrial branches; they did not fear a setback in the near future, and they expected the results of the current year to be also satisfactory.

The following is a summary of the balance sheets of the subsidiaries for the past two years :—

Extracts from Balance Sheets of Chief Subsidiaries of German Steel Trust.

Firm.	Capital.	Debts.		Credits.		Stocks.		Gross profits.		Wages and social services.		Net profit.	
		1934.	1935.	1934.	1935.	1934.	1935.	1934.	1935.	1934.	1935.	1934.	1935.
						(In	R.M.	million.)					
Gelsenkirchener Bergwerk	20	19	23	28	34	12	10	123	193	86	129	28	50
Aug. Thyssen Hütte	20	22	18	1	1	41	38	57	87	30	49	22	27
Dortmund Hörder Hütte	15	8	13	5	6	19	22	35	53	24	36	8	9
Bochumer Verein	10	24	43	11	20	23	25	29	59	21	40	4	11
Deutsche Eisenwerke	10	5	6	4	5	12	12	23	34	13	21	7	8
Deutsche Röhrenwerke	7.5	7	13	7	13	12	14	28	44	15	24	10	14
Hüttenwerk Siegerland	4	5	7	3	3	10	11	22	34	14	20	5	9

It was reported in April 1936 that the Trust had bought back practically the whole share holding of the Reich in the concern on condition that shares with a nominal value of RM.100 million be withdrawn and cancelled. The necessary capital for this transaction was obtained by the sale of shares and debentures in the Essener Steinkohlen Bergwerke A.G.

Friedrich Krupp A.G., Essen.—In spite of a favourable year ending September 1935, this firm decided to pay no dividend but to apply the net profit of RM.10 million, as against RM.7 million in the previous year, to consolidate their financial and technical position. New plant with a value of RM.41 million was installed, RM.27 million was written off for depreciation. Gross profits rose from RM.118 million in 1933 to RM.177 million in 1934 and RM.232 million last year. Salaries and wages increased from RM.67 million to RM.99 million and RM.133 million in the corresponding periods. Turnover in 1934 was about RM.300 million; total sales last year probably rose to a greater extent than gross profits. The firm reported a consistent advance in demand within the home market, particularly for the motor and aeroplane branches, so that maximum capacity was utilized in some departments. After some years considerable contracts were again received from the Military Authorities. Export trade, which was 12 per cent. higher than in the previous year, was stated to have been transacted at a heavy loss. Production developed as follows :—

Production of Friedrich Krupp A.G.

<i>Year ending 30th September.</i>	<i>Pig iron.</i>	<i>Ingot steel.</i>	<i>Rolling mill products.</i>
	<i>(In 1,000 tons.)</i>		
1933	665	838	590
1934	1,196	1,307	945
1935	1,389	1,554	1,142

The number of employees, including those of subsidiaries, increased from 37,000 in 1932 to 43,000 in 1933, 61,000 in 1934 and 76,000 at the end of September, 1935.

Non-Ferrous Metals.—The urgent necessity for maintaining plentiful supplies of non-ferrous metals in spite of the handicap imposed by shortage of foreign exchange to pay for imports was met by numerous measures some of which are set out in Chapter 13. The Base Metals Control Office, in addition to regulating imports, laid down restricted quotas for purchases and use of lead, copper, nickel, tin, mercury, chromium and cobalt. The prohibition on exports of industrial raw materials applied to non-ferrous metals of all descriptions.

Details of industrial production and consumption of non-ferrous metals are given below:—

Estimated Production and Consumption of Non-Ferrous Metals.

	<i>Copper.</i>		<i>Lead.</i>		<i>Zinc.</i>		<i>Tin.</i>		<i>Aluminium.</i>	
	<i>1934.</i>	<i>1935.</i>	<i>1934.</i>	<i>1935.</i>	<i>1934.</i>	<i>1935.</i>	<i>1934.</i>	<i>1935.</i>	<i>1934.</i>	<i>1935.</i>
	<i>(In 1,000 tons metallic content.)</i>									
Mining output ...	28	30	56	59	131	150	(a)	(a)	(a)	(a)
Output of smelting works	53	56	120	122	73	124	(a)	(a)	(a)	(a)
Output of refined metal	171	190	140	145	83	135	(a)	(a)	37	65
Consumption ...	302	295	181	199	193	214	18	(a)	53	75

(a) not yet available.

The expansion in metallic content estimated to have been obtained from mines within Germany is evidence of the intensity with which home resources of copper, lead and zinc have been exploited in the past year. The development in production of aluminium was even more remarkable, due to the ready demand created for this metal by its compulsory substitution for other imported non-ferrous metals in many products on the orders of the Control Board. Imports of bauxite advanced from 326,000 tons in 1934 to 500,000 tons last year, and of crude aluminium from 6,000 to 18,000 tons.

The following table shows imports and exports of non-ferrous metals:—

Imports and Exports of Non-Ferrous Metals.

	<i>Copper.</i>		<i>Lead.</i>		<i>Tin.</i>		<i>Zinc.</i>	
	<i>Imports.</i>	<i>Exports.</i>	<i>Imports.</i>	<i>Exports.</i>	<i>Imports.</i>	<i>Exports.</i>	<i>Imports.</i>	<i>Exports.</i>
	<i>(In 1,000 tons.)</i>							
1932...	175	55	51	23	12	3	102	13
1933...	207	43	49	27	15	4	101	20
1934...	229	14	49	9	13	2	107	11
1935...	216	3	54	4	12	1	76	1

Metallgesellschaft A.G., of Frankfort on Main, declared a dividend of 5 per cent. for the year ending 30th September, 1935, compared with 4 per cent. in the preceding year. The annual report mentioned the difficulty of finding sufficient skilled labour to cope with the heavy demands on the non-ferrous metal industry. The number of employees in associated works rose from 21,000 to 25,300. Net profits amounted to RM.2.2 million; the wage bill advanced from RM.9.1 million in 1934 to RM.10.5 million last year. The installation of new plant included the extension of the Aluminium-Werk, Bitterfeld, to its utmost capacity.

Engineering Industry.—Large public contracts, new processes for substitute raw materials and tax-free replacements of industrial plant have ensured a high level of output in the engineering industry in the past two years. The index of production rose from 38 in 1932 to 42 in 1933, 64 in 1934 and 82 in 1935. The revival was

due solely to the rapid growth of German orders, the index for which rose from 25 in 1932 to 42 in 1933, 64 in 1934 and 133 in 1935. Prohibitions on the installation of new plant in certain branches, such as foodstuffs, paper making and printing, seriously curtailed sales of machinery; at the end of 1935, manufacturers of machinery for woodworking, footwear and leather making, laundries, lifting and transport, paper making, printing, and foodstuffs were working at only 50 per cent. of capacity or under. Sales of agricultural machinery increased from RM.103 million in 1932 to RM.135 million in 1933, RM.160 million in 1934 and RM.220 million in 1935, of which 90 per cent. were within Germany.

The turnover of the machine tool industry in 1935 was stated to be between 30 per cent. and 50 per cent. higher than in 1934.

Export trade showed a downward tendency from 1932 to 1934 chiefly owing to the drop in Soviet orders. Italy was the chief buyer of German machine tools in 1935. Co-operation among manufacturers, negotiation between the German and other Engineering Associations and the use of export subsidies resulted in a decided improvement last year. The following table shows the development of exports from 1932 to 1934 :—

Machinery Exports from 1932 to 1934.

<i>Monthly average in the year.</i>	<i>Total.</i>	<i>Including</i>						
		<i>Machine tools.</i>	<i>Textile machinery.</i>	<i>Agricultural machinery.</i>	<i>Power machinery.</i>	<i>Transport and weighing plant.</i>	<i>Papermaking and printing machinery.</i>	
1932	62,474	17,839	7,469	1,805	6,557	4,583	3,499	
1933	45,232	10,990	7,042	1,688	5,092	2,315	3,103	
1934	38,050	7,253	7,337	1,680	4,705	989	2,684	

(RM. 1,000.)

A comparison of the main classes of machinery exported in 1934 and 1935 shows that foreign sales of machine tools dropped from RM.87 million to RM.78 million. Textile machinery exports remained at RM.77 million, and agricultural machinery at RM.9 million.

Locomotive and Wagon Industries.—The turnover of the locomotive industry in the past few years was as follows :—

Sales of Locomotive Industry.

<i>Sold to</i>	<i>German Railway Company.</i>	<i>Private concerns in Germany. (RM. million.)</i>	<i>Export markets.</i>
1932	19.2	0.3	1.8
1933	18.8	0.2	2.5
1934	23.0	3.2	2.5
Jan.-June 1935	13.2	3.0	2.4

The whole locomotive business is concentrated in the hands of nine firms, three of whom control over two-thirds of the orders allocated by the German Railway Company. Production in the past year was only utilised up to about 40 per cent. of capacity. For the whole of 1935 locomotive exports amounted to 9,800 tons with a value of RM.9.8 million, compared with 2,100 tons worth RM.2.1 million in 1934. It was stated that owing to keen competition and in spite of Government subsidies sacrifices had to be made in prices quoted for foreign orders. Among the more important customers for German locomotives in 1935 were Turkey, Bulgaria, Brazil, China and South Africa.

The capacity of the wagon industry was utilized during the past year only up to about 30 per cent. Sales during the past few years were as follows :—

Sales of Railway Wagon Industry.

<i>Sold to</i>	<i>German Railway Company</i>	<i>Private Concerns in Germany</i>	<i>Export Sales</i>
	<i>RM. Million</i>		
1929	183	35	63
1932	31	0.75	0.8
1933	36	2.5	4.5
1934	58	5.8	9

For 1935 and in the current year the German Railway Company placed orders valued at about RM.60 million. Exports last year amounted to RM.12.6 million, of which Turkey bought wagons with a total value of RM.8 million.

Electrical Engineering.—The striking revival in the German electrical engineering industry in 1934, when the index of production rose from 38 per cent. to 58 per cent. of capacity reckoned in working hours, was continued in 1935. Production throughout the industry as a whole again improved by about 10 per cent., which was ascribed mainly to better conditions in the home market. The additional investment in production plant, especially public contracts for the creation of work and orders placed by the military authorities, was stated to have given considerable support to sales of electrical plant and electrical products of all kinds. On the other hand the turnover in domestic goods was only on a level with sales in 1934.

Exports of electrical plant amounted to 14,000 tons valued at RM.29.6 million in 1935, compared with 11,500 tons worth RM.30.2 million in 1934. Orders from the U.S.S.R. fell from RM.2.3 million in 1934 to RM.185,000 last year. Foreign sales of other electrical products have also improved. The volume rose from 51,000 tons in 1934 to 63,000 tons last year, and the value from RM.169 million to RM.177 million. Exports of cable increased from 18,000 tons in 1934 to 25,000 tons in 1935, and of insulated wire from 10,000 tons to 14,000 tons, but average prices were much lower.

According to investigations made by the Business Research Institute, production and sales of electric lamps amounted to 61 million in 1932-3, as against 99 million in the boom period 1928-9. During the year 1933-4 about 68 million lamps were manufactured, a figure which was probably increased in 1934-5. Evidence of this is furnished by tax returns regarding the sale of German and imported lamps, which show that 63 million were sold in 1933-4 and 76 million in 1934-5, the largest turnover in the past ten years. The bulk of the increase was due to sales of German lamps. Apart from the high demand in connection with public works, the use of electric lamps in the household has risen, partly under the influence of a recent reduction in prices of 14 per cent. In 1933 some 43 million lamps were exported, in 1934, 41 million and in 1935, 46 million, but prices have dropped, the total value being RM.10.7 million, RM.9.4 million, RM.9.5 million in the respective years.

Radio.—After two years of production on a high level, the German radio industry suffered a decided set-back in the second half of 1935. During the first four months of 1935, output was greater than in any other year, but a serious curtailment then began and by November production had fallen to 143,000 sets, as against 320,000 sets in November, 1934, and was still in excess of current sales. Total sales dropped from 1,225,000 sets in 1934 to 810,000 sets in 1935. These figures include 526,000 and 290,000 units respectively of the so-called "People's Set", a standardised type sold in 1933 at a uniform price.

The number of listeners-in who cancelled their licences last summer was 218,000, compared with 82,000 the year before. By the end of the year a further large number of subscribers had been again enlisted and the record total of 7.2 million reached.

It was calculated that some 185,000 receiving sets had been made in the past two years more than had been sold, apart from stocks previously on hand. Stocks held by manufacturers at the end of the radio year (July, 1935) were estimated at 400,000 sets, to which must be added from 100,000 to 200,000 sets in possession of dealers. These figures for stocks were stated to be the highest on record. In addition, the new radio year commencing the 1st August brought the German industry an astonishing slump which taxed their financial resources, particularly of smaller firms. Towards the end of 1935 three of the twenty-eight manufacturers in the radio branch suspended payments. In January, 1936, a new company entitled the "Handelsgesellschaft für Rundfunkgeräte m.b.H." (Radio Trading Company) was established in Berlin for the purpose of buying and selling radio sets and accessories with a view to protecting the German market. The primary object was the liquidation of stocks held by insolvent firms. It was understood that a substantial credit would be placed at the disposal

of the Company by the larger banks and that important concerns in the radio branch would be required to take over guarantees in respect of capital invested.

Great efforts were made to force exports in the latter part of 1935 and 40,000 sets were sold abroad in October and November or almost half of the previous year's turnover. Total exports of wireless apparatus fell off from R.M.44 million in 1932 to R.M.29 million in 1933, R.M.27 million in 1934 and R.M.26.6 in 1935. Formerly some German firms sold 50 per cent. of their output abroad; to-day export trade is reported to account for only 7 per cent. to 8 per cent. of total radio sales.

Siemens.—For the year ending 30th September, 1935, Siemens & Halske declared a dividend of 8 per cent. as against 7 per cent. in the preceding year; Siemens-Schuckertwerke A.G. paid a dividend of 5 per cent. after an interval of 4 years when no profits were distributed. The staff of the whole Siemens concern at home and abroad increased during the year under review from 110,000 to 121,000 of which 103,000 were employed within Germany. The higher turnover of Siemens-Schuckertwerke A.G. was reported to be mainly due to demands within Germany for industrial plant in respect of the additional production of raw materials and in connection with rearmaments. Siemens & Halske increased their foreign sales, but prices showed a downward tendency. The total value of exports by Siemens-Schuckertwerke A.G. rose slightly; the volume of business was considerably greater than during the preceding year. The following table shows the development of turnover during the past few years:—

Turnover of Siemens Concern.

<i>R.M. million.</i>	<i>1929-30.</i>	<i>1932-33.</i>	<i>1933-34.</i>	<i>1934-35.</i>
		<i>Siemens & Halske.</i>		
Sales to other firms	302	144	185	250
Total turnover including to subsidiaries	322	150	193	258
Exports	105	61	48	54.7
Exports as percentage of turnover	32.6	41	25	21.2
		<i>Siemens-Schuckert.</i>		
Sales to other firms	497	186	226	302
Total turnover including to subsidiaries	536	201	252	340
Exports	234	84	76.7	79.4
Exports as percentage of turnover	44	42	30.4	23.3

The gross profits of Siemens & Halske amounted to R.M.162 million compared with R.M.119 million in the previous year, wages accounted for R.M.92 million and net profits were R.M.8 million. In the case of Siemens-Schuckertwerke A.G. gross profits rose from R.M.163 million in 1933-4 to R.M.229 million in 1934-5, R.M.114 million were required for wages and net profits were R.M.9 million.

Allgemeine Elektrizitäts Gesellschaft (A.E.G.).—The annual report of the A.E.G. for the year ended 30th September, 1935, gave the turnover at RM.273 million, as against RM.234 million in the previous year. Orders received amounted to RM.315 million, or an increase of 17 per cent., and the firm had contracts for RM.120 million in hand at the beginning of the current year, which were sufficient to keep up the same degree of employment for five months. Export sales increased in volume, but the total value remained about the same. Additional investment in power plant again commenced; the chief improvement was, however, derived from new industrial equipment. Wages paid rose from RM.51 million in 1932-3, to RM.70 million in 1933-4 and RM.88 million last year. The number of workers at the end of the year was 42,000, or a rise of 4,500 during the year, apart from 9,800 employees in subsidiaries. Gross profits improved from RM.107 million to RM.139 million, but there was no net profits for distribution and the deficit of RM.57 million from 1932-3 was again carried forward. The management did not consider the present moment opportune for a financial reorganisation, which has been overdue for a few years.

Shipbuilding.—At the beginning of 1936 contracts for new constructions on hand at the various shipyards aggregated over 500,000 gross register tons, of which over 300,000 tons was for foreign account.

Seagoing tonnage delivered by German yards in 1934 and 1935 compare as follows:—

	<i>For German account.</i>		<i>For Foreign account.</i>		<i>Total.</i>	
	<i>Gr. reg. tons.</i>		<i>Gr. reg. tons.</i>		<i>Gr. reg. tons.</i>	
1934	25,882		8,731		34,613	
1935	118,587		90,006		208,593	

The tonnage launched at German yards during the past six years is as follows:—

	<i>Number of vessels.</i>	<i>Gr. reg. tons.</i>
1931	58	103,934
1923	15	80,799
1933	43	42,195
1934	50	72,059
1935	78	226,343

The output in 1935 is the largest recorded in Germany since 1930. Of the 78 vessels and 226,343 tons launched last year, 22 vessels and 96,511 tons were for registration in other countries.

Impetus to the revival was given by the Government at the end of 1933 when, with the object of creating employment and at the same time ensuring the maintenance of an efficient mercantile fleet, subsidies up to 30 per cent. of the cost of construction were accorded to shipping companies to encourage the placing of orders. Assistance was also given to shipbuilders to enable competitive prices to be quoted for foreign orders. The Government itself,

through the medium of a financial holding company, also placed orders for several vessels which upon completion were handed over to German companies for operation, under special agreements, on important routes. It was recently stated that the present Government had since 1933 granted shipping subsidies amounting to RM.14 million for new constructions and RM.3.2 million for repair work.

At the end of 1934 an order for six vessels aggregating 75,600 deadweight tons was placed by a Norwegian group of shipowners on the basis of barter against part payment by means of deliveries of whale oil which were taken over by the Government oil and fat monopoly department. About the same time, an order for six vessels aggregating some 46,000 deadweight tons was placed by the German subsidiary of the Unilever concern as a solution to the liquidation of "frozen" credits which could not otherwise be transferred abroad.

Since then a steady flow of orders for foreign account have been booked by German yards and in almost every case part payment in "blocked credit Marks" has been arranged. A second and larger order for over 100,000 gross tons of tankers, freighters and fishing trawlers was placed by the Unilever Concern at the end of 1935. Some of the tonnage under construction at German yards for foreign account was recently offered for sale on the open market "as a means of collecting payment for goods delivered". For the most part the orders are being placed by large concerns interested in deliveries of oil and raw material to Germany resulting in the accumulation of large credit balances which cannot be withdrawn from the country owing to the embargo on the transfer of funds abroad. The ordering of ships offers a possibility of liquidating these balances, although at a big discount.

Orders have been distributed equally amongst the various North Sea and Baltic shipyards in accordance with their capacity and with full regard for the requirements of local labour markets. During 1936 most of the yards will be working at capacity and certain of the larger shipbuilders have sufficient orders on hand to ensure a full building programme for the next two years at least. Admiralty work has been given to a few civil yards.

The increased activity is reflected in the recent balance sheets of shipbuilding companies which have been issued. The pay roll of Blohm & Voss of Hamburg, for instance, rose from RM.7 million for the business year 1933-4 to RM.19½ million for the year 1934-5. Several yards have invested money in extensions to workshops and equipment. The largest vessels under construction for German account are two 16,000 gross ton passenger vessels for the German Africa Lines at the Hamburg yard of Blohm & Voss.

The general scale of wages in the German shipbuilding trade has not been revised since 1932. Owing to the sudden rush of

orders following a slump period, there is a shortage of skilled labour and there is a big demand for technical workers in certain districts.

Motor Vehicle Industry.—Production.—The following table gives particulars of production of motor vehicles in the past four years :—

Production of Motor Vehicles.

	Units.			
	1932.	1933.	1934.	1935. (provisional).
Motor cars	43,420	92,160	147,330	201,438
Motor lorries and delivery vans	8,080	12,828	25,684	38,851
Omnibuses	154	433	1,641	2,645
Motor cycles	36,262	40,534	88,312	111,177
Three-wheeled vehicles	10,939	12,939	11,697	11,961

The output of motor cars in 1935 was practically twice as high as in the boom period of 1929, while motor lorries were a third higher. With regard to motor cars the proportion of the small litre type up to 1½ litres dropped from 78 per cent. of total output in 1934 to 69 per cent. last year, while cars from 1½ to 3 litres increased from 21 per cent. to 28 per cent. The percentage of heavy motor lorries produced rose from 11 per cent. in 1932 to 20 per cent. in 1935, that of lorries over 1 ton but under 3 tons fell off slightly, and the proportion of 1 ton vehicles remained at about 25 per cent.

The participation of motor cycles over 350 ccm. in the whole output declined from 24 per cent. in 1933 to 16 per cent. in 1935; cycles from 200 ccm. to 350 ccm., which only accounted for 7 per cent. in 1932 advanced to 16 per cent. last year, while the number of cycles under 200 ccm. is 68 per cent. of the whole production.

Figures are not yet available showing the value of motor vehicles manufactured in the past year. For 1934 the value of the total output of this industry was estimated at RM.807 million, compared with RM.480 million in 1933 and RM.296 million in 1932.

Home Market.—The development of sales within Germany is given below :—

*Sales of Motor Vehicles within Germany.
(Except Omnibuses).*

	Units.			
	1932.	1933.	1934.	1935 (provisional).
Motor cars	38,207	83,369	133,330	180,430
Motor lorries and delivery vans	6,743	10,422	24,284	35,254
Motor cycles	36,706	40,636	76,466	104,778
Three-wheeled vehicles *... ..	10,940	12,559	11,876	11,836

* Home and foreign sales.

In 1934 sales, including spare parts and repairs, amounted to RM.780 million or a third higher than in 1933. The turnover in complete vehicles was given as RM.660 million, distributed among motor cars 58 per cent., lorries 27 per cent., motor cycles 7 per cent., special vehicles 6 per cent. and three-wheeled vehicles 2 per cent. The turnover in motor cars alone during 1935 was estimated at RM.550 million, compared with RM.427 million in 1934 and RM.289 million in 1933.

Sales of the smallest class of car up to 1.2 litres increased by 28,000 in 1935 and of the the 1.2 to 2.1 litres type by 17,000. Relatively the greatest rise was in the turnover of 3.3 to 4.2 litre cars, of which the number sold in 1935 was 3,750, as against 1,790 in 1934.

The improvement in 1935 was attributed mainly to the influence of price reductions for certain makes of car during the year and of facilities granted for writing off purchases of new cars in the form of income tax reduction. Another reason given included the extension of the payment by instalment system financed largely on the basis of 18 months credit. It must be borne in mind, however, that the motorisation policy of the Government which was inaugurated in 1933 by the release from taxation of all new motor cars registered for the first time and the fostering of the motor industry by the Authorities have had a beneficial influence on the whole industry. It is not generally anticipated that the high figures of the past two years allow of great expansion. Not only have the requirements of public and semi-official departments been a prominent factor in creating a non-recurring boom, but manufacturers are of opinion that replacements will form the principal source of demand in the future. It is said that maintenance charges, petrol, insurance and garaging costs are too expensive in Germany to allow the ownership of motor cars to become so widespread as in some other countries. Progress towards a new low-priced " People's Car " as demanded on the occasion of the Motor Show in February, 1936, will be largely determined by these factors.

The number of motor cars registered in Germany rose by 38 per cent. in 1935, the number of motor lorries and special motor vehicles by 94 per cent. and of omnibuses by 117 per cent. Over 6,000 tractors were also registered last year. Heavier types of motor lorries showed a tendency to increase. Of the 1,832 motor buses registered, 958 had accommodation for over 30 passengers. There were 20,023 motor trailers sold in 1935, as against 11,010 in 1934.

In comparison with 1934, there was little change in prices during the past year except in the case of small cars, the price index of which dropped by 3.6 per cent. Prices of other motor vehicles declined slightly, viz. large cars by 0.6 per cent., motor lorries by 0.8 per cent., and motor cycles by 0.2 per cent.

The following table shows the distribution of sales of motor cars among the various manufacturers :—

Distribution of Sales of Motor Cars.

Make.	Numbers sold.			Percentage of total value.		
	1933.	1934.	1935.	1933.	1934.	1935.
Adler...	7,476	10,266	17,658	10.6	9.4	10.2
Auto Union.—Audi	627	1,122	716	1.4	1.5	0.7
D.K.W.	10,300	20,779	28,240	9.1	10.7	11.8
Horch	1,268	1,534	2,029	5.6	3.9	3.3
Wanderer	4,265	5,155	7,169	7.3	6.2	6.4
B.M.W.	5,322	6,591	7,226	5.0	5.8	4.5
Chevrolet	294	690	252	0.1	0.3	0.2
Chrysler	110	240	152	0.1	0.3	0.2
Citroen	968	1,813	958	1.3	1.6	0.7
Daimler-Benz	7,844	8,873	11,529	15.9	11.8	11.1
Fiat	946	2,068	3,711	1.1	1.5	2.1
Ford	3,996	6,699	8,087	4.8	5.4	5.0
Hanomag	4,675	6,321	8,171	4.6	4.4	4.6
Hansa	77	856	4,124	0.1	0.3	2.3
Essex	191	348	88	0.4	0.4	0.1
Opel	28,494	52,586	77,126	23.8	30.6	33.8
Röhr	774	1,122	126	1.5	1.0	0.1
Steyr	398	405	480	0.8	0.5	0.4
Stoewer	1,611	1,452	1,137	2.2	1.5	0.9
Others	2,412	2,018	1,134	3.9	2.4	1.3
	82,048	130,938	180,113	100.0	100.0	100.0

Foreign Trade.—The following table shows imports and exports during the past three years :—

German Imports and Exports of Motor Vehicles.

Year.	Motor cars.		Motor chassis.		Motor lorries.		Motor cycles.	
	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.
	(Number.)							
1933	1,877	10,451	465	393	332	2,495	636	2,006
1934	2,936	10,608	2,122	386	501	2,242	419	1,804
1935	3,251	18,295	4,135	1,336	104	3,765	204	5,702
	(Value, RM. 1,000.)							
1933	4,738	18,749	1,016	908	690	7,742	415	986
1934	6,202	20,446	2,517	835	791	6,893	285	987
1935	5,591	30,509	3,015	2,710	470	13,346	153	2,185

The total value of motor imports dropped from RM.59 million in 1929 to RM.9.8 million in 1934 and RM.9.4 million in 1935. On the other hand exports, which fell off from RM.62 million in 1929 to RM.29.6 million in 1934, increased to RM.50.2 million last year.

Among the suppliers of motor cars Italy improved her position from 655 in 1934 to 899 in 1935, the United Kingdom from 44 to 94 cars, and the U.S.A. from 1,630 to 1,786. The number of

Austrian cars decreased from 254 to 179 and of French from 245 to 190. Italy also increased the number of chassis sold to Germany from 1,500 to 3,455 and Austria from 195 to 324. The United Kingdom supplied nine motor lorries and the U.S.A. eight. In 1929, 4,361 motor cycles were imported from the United Kingdom; in the past two years the corresponding figures were 200 and 107; imports of motor cycles from the U.S.A. dropped from 1,967 in 1929 to 14 last year. With regard to motor parts, French imports rose from 179 tons in 1934 to 521 tons in 1935, while United Kingdom imports fell from 156 tons to 53 tons and U.S.A. imports from 448 tons to 361 tons.

The increase in exports of motor cars was mainly to European countries (+ 6,977 cars), including Spain, Belgium, Switzerland, Holland and Denmark. Exports to the United Kingdom rose from 37 cars in 1934 to 383 cars in 1935. Other European markets in which progress has been made by German exporters are Hungary, Roumania, Greece, Esthonia, Bulgaria, Irish Free State, Sweden and Norway. There was a considerable advance in exports to South Africa, Brazil and the Argentine where business was effected by means of barter.

The most favourable markets for motor lorries were Spain, Belgium, Italy and Holland; a remarkable increase took place in sales to Italy, Bulgaria, Roumania, East Africa, Ceylon, China and Brazil.

The higher figures for motor cycle exports are accounted for chiefly by additional sales to Holland (which took 2,300 in 1935 as against 360 in 1934), Austria, Switzerland, Czechoslovakia, Turkey, Brazil and India.

CHAPTER XVIII.

TEXTILES.

General.—The general provisions issued in March, 1934, to regulate the supply, distribution, storage, sales and consumption of industrial raw materials and semi-manufactures were followed by a prohibition on the purchase abroad of textile raw materials and semi-manufactures until May. Subsequently all industrial products were placed under a similar control. In July, 1934, the so-called "Textile Fibre Decree" was issued, which laid down that the standard week in the German Textile Industry should not be longer than thirty-six hours, unless firms had urgent orders on hand, or there were other important reasons for longer working hours. The object of this part of the Decree was to avoid dismissals as far as possible. The Decree also contained a prohibition upon the opening of new factories, or the extension of existing concerns.

Another section dealt with prices and prohibited any increases not considered justifiable in view of higher world market prices or on account of an unavoidable rise in cost of production. A strict control was to be exercised upon prices and severe penalties imposed for contraventions of the Decree.

Control Boards were empowered to fix prices of raw and processed textile materials sold in Germany from October, 1934, onwards.

In May, 1935, the regulations were amended particularly with a view to promoting exports. Orders for export were excepted from the restriction concerning a maximum of thirty-six hours per week. The alterations to the provisions as to prices introduced the principle of "ordinary" goods; it was intended to ensure that the prices of these goods did not rise unduly, while the Price Controller no longer interested himself in goods made to special order or luxury goods. The price limit of "ordinary" goods in March, 1934, was laid down as a basis and normally regarded as the maximum. Rayon and staple fibre goods were explicitly included within the scope of the new regulations.

The Price Controller prescribed a number of maximum prices for cotton yarns and tissues, basing his ruling on a finding to the effect that existing price levels were too high. He claimed that the new prices allowed sufficient margin for raw material price fluctuations. The new prices, especially in the case of coarse tissues, were stated to be below the general scale of prices ruling in the domestic market at the time. In some cases manufacturers complained that prices had not been adapted sufficiently to higher costs of raw material and that reduced dividends had been the result.

Spinning Materials Law.—In December, 1935, the "Spinning Materials Law" was passed and superseded the "Textile Fibre Decree". Instead of a definite curtailment in the number of working hours, quotas of raw materials to be consumed were fixed by Control Boards, whose supervision as well as that of the Price Controller, was facilitated by the need for keeping certain stock books and costing accounts. The dismissal of employees was rendered more difficult. The prohibition against any increase in prices was maintained except in cases of necessity, but this provision did not apply to export business or cartel quotations. Terms of delivery less favourable than those obtaining during the first quarter of 1935 were forbidden.

An executive decree issued in January, 1936, authorised the Control Boards to exercise supervision on the whole output of textile firms. The Control Board for Cotton Yarns and Tissues issued an order for the mixing of staple fibre in cotton goods for the home market; such mixture up to 20 per cent. must be accepted on current contracts.

Home Market.—The foreign exchange situation and the threatened shortage of raw materials were decisive factors in leading

to panic purchases of textiles in 1934, when retail sales in some cases were 30 per cent. higher than in the preceding year. Stocks were replenished by the trade and subsequent liquidation has resulted in financial stringency and reluctance to place further orders except for immediate delivery. The reaction which set in was to some extent rendered less severe by old orders and public contracts. The "Labour Service" alone required five and a half million metres of uniform cloth, linings, etc. in 1934. By the middle of 1935, however, output had fallen off to a level some 20 per cent. below that of the boom period of 1934. Additional expenditure on foodstuffs due to the rise in the cost of living exerted an influence on the drop in demand for textiles. There is still a slump in the textile market which in importance has temporarily superseded the problem of supplies of raw materials. The position of the various branches differed considerably. The degree of employment was most favourable in 1935 in branches where the raw material supplies were easily accessible, e.g. linen, artificial silk and hemp, or when large public contracts were available. Output in the weaving branch was generally lower than in 1934. Cotton yarn production was subject to marked fluctuations. The woollen industry suffered most from the difficulties in the raw material supplies. For the first ten months of 1935 the official index of textile production was 9 per cent. below that of 1934.

Public Contracts.—The Ministry for Economic Affairs issued a decree in August, 1934, requiring all public buying departments, including those of the Railway Company and the National Socialist Party, to obtain the approval of the Reich Office for Public Contracts before placing orders for which textiles or hides and skins were necessary. Manufacturers may only accept such contracts if accompanied by a certificate of approval of the above office, which was empowered to lay down the percentage of raw material from home sources to be contained in the goods.

Raw Materials.—The general problems involved in maintaining an adequate supply of raw materials from abroad are dealt with in the Chapters on Foreign Trade. The strenuous efforts made to render German industry less dependent on foreign supplies of flax, hemp and silk are described in Chapters 10 and 13.

The old established system of arranging supplies of textile raw materials long ahead of actual requirements, of breaking the shock of market fluctuations by cautious disposition between supply and demand; and the fine cutting of prices for raw materials obtained in that part of the world market most advantageous to the individual manufacturer, have in Germany given way to a hand-to-mouth economy reaching from producer through the various stages of distribution down to final consumer, a cumbersome control by mighty bureaucratic machinery, and in many cases recourse to unwieldy barter transactions with heavy executive expenses and

waste of time. The unfavourable trade balance of Germany with former suppliers of cotton and wool led to the transfer of such purchases to other countries with whom Germany had an active balance. Improved imports of hemp and silk were from countries commercially indebted to Germany. Changes in the structure of supplies have necessitated the acceptance of lower qualities at higher prices, e.g. substitution of Brazilian for American cotton, the overcoming of new technical difficulties, a greater percentage of waste material and higher costs of production for a less satisfactory article. Again, foreign exchange difficulties and Clearing Agreements have resulted in raising the proportion of yarns and semi-manufactures imported in comparison to raw cotton or wool. The export of cotton waste was prohibited in October, 1934.

Conditions of supply have undoubtedly been strained, particularly for wool and cotton. In November, 1935, it was stated that a larger part of stocks on hand in the middle of 1934 had been consumed in the meantime. According to a report of the Business Research Institute imports of textile raw materials in the latter part of 1935 were the highest for several years, while production had dropped to the lowest level ever recorded except in 1932. This circumstance was, therefore, claimed to have resulted in larger stocks of raw materials. Considerable stocks of staple fibre are also stated to have accumulated at factories. Supplies from home sources in 1935 amounted to 10 per cent. for wool, 32 per cent. for flax and 9 per cent. for hemp of total requirements.

Foreign Trade.—The following table shows the imports of all kinds of raw materials in the past three years:—

Imports of Raw Materials for the German Textile Industry.

	1933.	1934.	1935.	1933.	1934.	1935.
	<i>(In 1,000 metric tons.)</i>			<i>(In million R.M.)</i>		
Cotton, including waste ...	473.3	399.5	397.4	307	260.2	329.7
Wool	157.5	143.4	123.7	194	254	177
Rayon(uncombed staple fibre)	1.96	7.35	8.56	2.5	10.9	12.5
Silk	0.55	0.98	1.12	8.7	11.5	13.6
Jute and jute tow ...	111.3	107.4	114.2	24.2	20.8	24.1
Hemp	11.4	12.7	18.7	7.4	7.9	15.4
Flax, including stalk flax and tow	18.4	30.9	20.3	10.6	16.6	15.6

The surplus of imports over exports of textile raw materials developed as follows:—

Surplus of Imports over Exports of Textile Raw Materials.

	<i>Raw materials and semi-manufactures (excluding yarns).</i>			<i>Yarns.</i>
	<i>R.M. million.</i>			<i>R.M. million.</i>
1932	504	48
1933	568	46
1934	607	80
1935	645	73

Details of the yarns and tissues imported during the past three years are given in the table below:—

Imports of Yarns and Tissues.

	1933.	1934.	1935.	1933.	1934.	1935.
	(Metric tons.)			(RM. million.)		
<i>Yarns—</i>						
Rayon and Floss silk ...	11,827	11,837	8,305	48.4	51.9	37.0
Wool and other animal hair	10,335	8,856	9,481	33.7	33.5	33.4
Cotton	15,169	18,642	23,482	40.6	44.0	51.7
Flax, hemp, jute, etc. ...	16,348	23,758	21,702	14.0	24.4	20.7
Total	53,679	63,093	62,970	136.7	153.8	142.8
<i>Tissues—</i>						
Silk and rayon, silk ...	558	737	716	11.6	10.8	8.9
Wool and other animal hair	1,604	1,670	1,364	17.5	17.9	13.9
Cotton	4,386	4,911	5,114	23.5	24.3	24.2
Flax, hemp, jute, etc. ...	4,915	4,860	6,171	3.0	3.3	3.2
Total	11,463	12,178	13,365	55.6	56.3	50.2

Imports of other finished goods, including clothing, underclothing and hats dropped from RM.9 million in 1933 to RM.8 million in 1934 and RM.6 million in 1935.

The export of finished textiles accounted for approximately one-fifth of total German exports of manufactured goods before the war. In 1928 exports of these goods amounted to RM.1,610 million; in 1934 the corresponding figure had fallen to RM.411 million or 12.6 per cent., and in 1935 to RM.382 million or about 11 per cent. of the whole. Particulars showing the development of exports are contained in Appendix IX.

In comparison with 1934, the only exports which increased in volume in 1935 were woollen yarns, silk and rayon tissues, cotton tissues and hats. Average prices dropped in every instance, notably for cotton tissues where the volume rose by 19 per cent. while the total value fell by 7 per cent. Textile prices as a whole dropped by 15 per cent. in 1935 against a decrease of 10 per cent. for all classes of exports. The downward tendency of textile exports was, however, not so pronounced in 1935 as in the preceding year and the figures for July and August were reported to be actually higher than a year ago, particularly for woollen and rayon yarns. This was attributed to the greater attention being paid by manufacturers to the foreign market owing to reduced activity at home and to the facilities granted by the Authorities for export orders in respect to more favourable supplies of raw materials.

Jewish Business Enterprise.—Among the factors which have influenced the development of the German textile trade at home and abroad must be included the difficult and uncertain position of Jewish undertakings. The participation of Jewish enterprise is still particularly high in the textile branch in spite of the closing down of Jewish concerns in the past three years, e.g., in Berlin 80 per cent. of the ladies' ready-made clothing and 60 per cent. of the men's ready-made clothing industries are stated to be in Jewish hands. The liquidation of stocks has tended to depress the market. The uncertainty under which Jewish firms are operating is reported to have led to a marked drop in orders. The disposal and transfer of such businesses have created many problems in the retail trade, but the difficulties are even greater with regard to manufacturing concerns and wholesale and export houses where the personal goodwill of the proprietor forms an important asset.

Emergency Short-time Benefits.—Regulations were issued in December, 1934, providing for the grant of additional benefits to workers who were obliged to work short-time owing to difficulties in obtaining raw materials. The textile industry was the first to receive these benefits. Workers have to be insured against unemployment and must have worked less than 72 hours, but more than eight hours in two consecutive weeks. Benefits amount to 50 per cent. of the difference between actual earnings and the pay the worker would have earned in 72 hours. Dependants are each allowed 10 per cent. of the difference concerned, but maximum benefits may not exceed the earnings in 72 hours.

In August, 1935, 72,377 workers were receiving emergency short-time benefits, including 70,726 from the textile branch, 1,081 from oil-milling and 570 from the leather industry.

Textile Machinery.—The necessity for reorganising output in accordance with changes in the available supplies of raw materials led to an exceptional demand for new machinery. At the end of 1934 the machinery industry was receiving record orders for textile machinery equal to twice the value of those placed in the boom year 1927.

Cotton.—Imports of raw cotton dropped from 416,600 tons in 1933 to 316,900 tons in 1934 and 310,000 tons in 1935. Owing to clearing arrangements prices of the raw material supply to the cotton industry were stated to be 27 per cent. higher than in 1934 in spite of strict measures taken by the Control Board. The fall in volume of raw cotton was partly counterbalanced by higher imports of cotton waste, the value of which rose from RM.8 million in 1933 to RM.25 million last year, when 20 per cent. of the total volume was supplied by the United Kingdom. Changes in sources of supply of raw materials are dealt with in Chapter 24 on " Foreign

Trade", where details of imports of yarn by countries are also given.

The following shows a comparison of stocks of cotton held at Bremen at the end of November in 1934 and 1935 :—

<i>Source of supply.</i>	1935.	1934.
	<i>Bales.</i>	<i>Bales.</i>
U.S.A.	92,798	281,521
East Indies	7,821	13,610
Other countries	46,870	52,908
Total	147,489	348,039

The extraordinary conditions as to prices are demonstrated by the fact that while cotton from the U.S.A., British India and Egypt cost RM.0.80, RM.0.67 and RM.1 per kg. respectively, the price of supplies from Brazil was RM.1.11 per kg. and from Greece even RM.1.24 per kg., although the quality of the latter did not appear to justify such quotations. The higher return obtained from the sale of German goods sold to, and compensated with these new countries of supply is, however, regarded by the German Authorities as rendering the whole foreign trade transaction economic to Germany.

The working up of strange varieties of cotton resulted in higher costs of spinning. As some of this cotton could only be used for coarse fabrics saleable within Germany, there was an extraordinary rise in prices until the Price Controller intervened in May, 1935, and fixed standard prices for yarns of low counts and for coarse issues. Weavers tried to use a greater quantity of linen and rayon yarns available from home sources.

There was a consistent drop in the level of employment from the middle of 1934 to the end of 1935, with a particularly sharp decline at the middle of 1934. In the past year there was little seasonal revival. Stocks of the spinning and especially of the weaving branch were high at the end of 1935; the demand for tissues was reported to have become worse.

Financial.—According to a summary of balance sheets on the 30th December, 1934, of the largest concerns in the German cotton industry, forty-eight firms increased their gross profits from RM.134 million in 1933 to RM.168 million in 1934, their net profits from RM.4.9 million to RM.10.2 million, and dividends distributed from RM.5.29 million to RM.6.95 million. Average dividends thus rose from 3.9 per cent. to 5.0 per cent. Total salaries and wages paid were RM.75.28 million in 1933 and RM.85.47 million in 1934; the increase was mainly due to the engagement of additional employees, since working hours were uniformly curtailed by the "Fibre Decree."

Christian Dierig A.G.—A further financial reorganisation of the largest cotton concern was effected in November, 1935, when Dierig A.G. with a capital of RM.23.5 million became the parent company in replacement of the DEBAG, as well as the proprietor of F. H. Hammersen A.G. In 1934, DEBAG paid a dividend of 8 per cent., and Dierig and Hammersen 10 per cent. The Dierig concern employs some 8,500 hands. The next most important cotton firm, Kolbermoor, has 5,000 employees.

Wool.—The wool supply has been short for a long time; clearing arrangements with South Africa, Turkey and South America have not yet furnished adequate deliveries. Early in 1936 it was reported that the difficulties of manufacturers in obtaining deliveries had again increased. The rise of 40 per cent. in wool prices since last July has proved a severe handicap, owing to the fact that individual quotas were fixed by value. One effect of the restrictions imposed by the "Fibre Decree" and the "Spinning Materials Law" was to flatten the curves of seasonal fluctuation, particularly among wool combers and spinners. At the end of 1935 some combers were working only about twenty four hours per week.

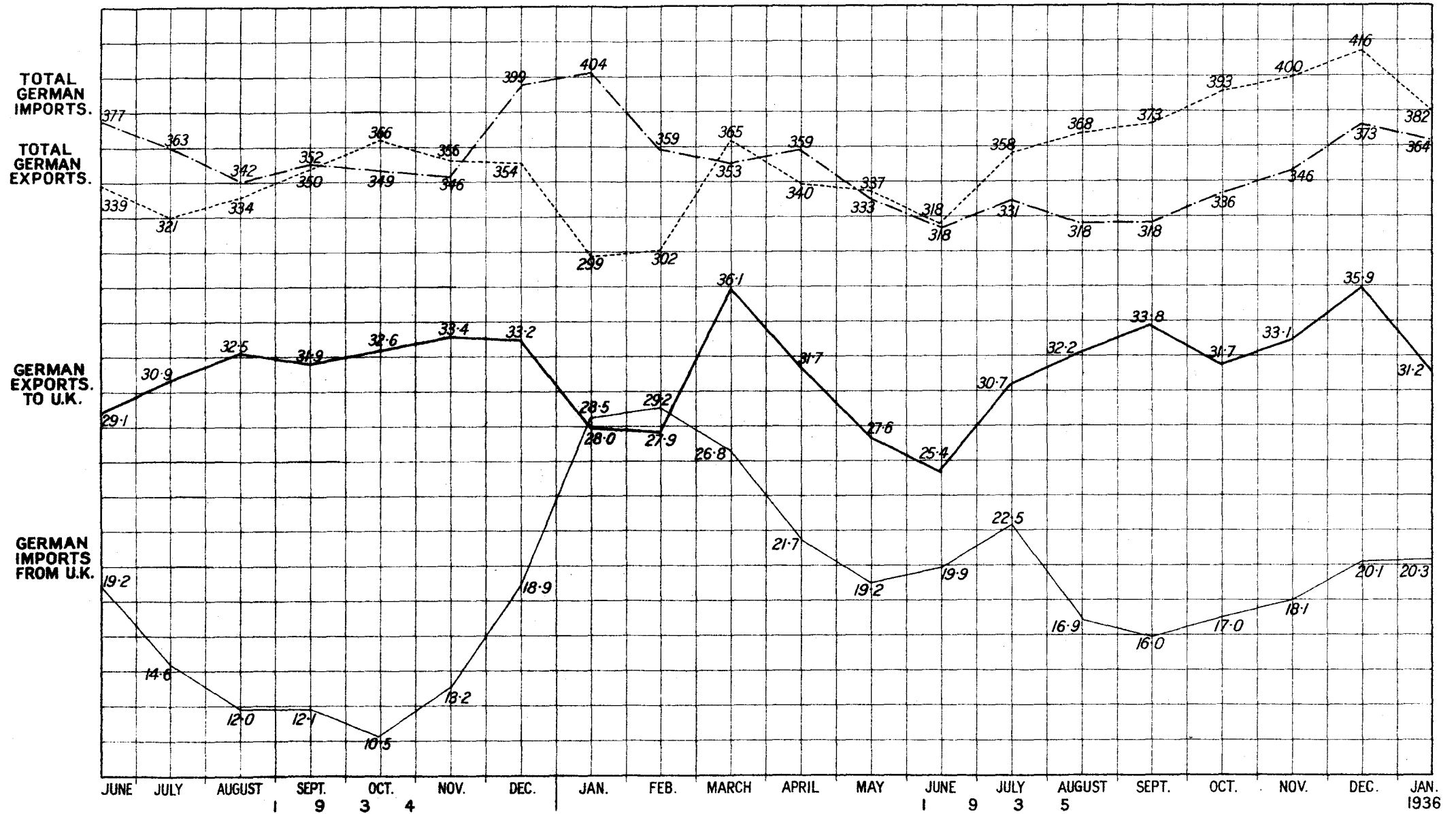
Imports of tops which had decreased from 19,242 tons worth RM.50 million in 1933 to 10,741 tons worth RM.37 million in 1934, again rose to 14,352 tons with a value of RM.44 million in 1935.

Stocks of washed wool at the end of January, 1936, were 3,011 tons, or 365 tons less than in December, 1935, compared with 2,560 tons in January, 1935. Stocks of wool tops at the five large combing factories in Germany were only 2,286 tons at the end of January, 1936, as against 8,688 tons in 1935, 7,661 tons in 1934 and 9,885 tons in 1932 at the same date.

In view of the position of raw material supplies, manufacturers were obliged to curtail output or, faced with greater technical difficulties than the cotton branch, incur heavy investment for new machinery, both of which led to higher costs of production. The margin of profit between quotations for raw materials and prices of finished goods has, therefore, diminished considerably in the past year. Another adverse factor is the system of incentives to buy and use the expensive domestic clip mentioned in Chapter 10. In order to promote export trade, manufacturers obtaining foreign orders were granted additional quotas of raw material. Various spinning firms endeavoured to help themselves over the shortage of material by insisting when effecting sales of pure wool tissues also on the acceptance of an equal quantity of staple fibre products. At the end of 1935 spinners reported insufficient orders; large stocks had been accumulated by certain firms. The lack in demand in the woollen weaving branch continued and in some cases was below the substantially reduced output. Sales of mixed tissues

GERMAN FOREIGN TRADE & ANGLO - GERMAN TRADE.

IN MILLION REICHSMARKS.



were especially described as low. Increased requirements of uniform cloth only partly compensated for the loss in orders for other woollen tissues.

Financial.—The financial results of thirty one companies in the German woollen industry for 1934 showed the following development :—

	<i>Total share capital.</i>	<i>Total gross profits.</i>	<i>Total net profits.</i>	<i>Net profit as percentage of capital.</i>	<i>Dividend paid.</i>
	<i>(R.M. million.)</i>				<i>Per cent.</i>
1934	115·8	125·7	11·4	10	6·4
1933	112·8	120·7	10·8	9·6	6·8

The improvement in the woollen industry was relatively not as favourable as in other textile branches, owing to problems connected with the wool supply. Although prices in Germany did not keep pace with world market quotations, there was nevertheless a heavy drop in the costs of raw materials in 1934 which resulted in lower stocks and sundry debtors, but also led to higher liquid resources of these companies.

Details are given below :—

	<i>Stocks.</i>	<i>Sundry Debtors.</i>	<i>Sundry Creditors.</i>	<i>Liquid resources.</i>	<i>Writes- off.</i>	<i>Reserves.</i>
	<i>(R.M. million.)</i>					
1933	74·2	45·1	43·3	15·7	9·7	41·6
1934	62·1	37·4	41·7	36·5	9·7	43·6

Of the thirty one companies concerned, twenty four earned a profit in 1933 and seven worked at a loss. In 1934 only one company suffered a loss. The number of firms which paid a dividend rose from seventeen in 1933 to twenty one in 1934.

Stöhr & Co. A.G., Worsted Spinners, Leipzig.—This important Company with a capital of RM.14 million again declared a dividend of 6 per cent. in 1934. Production in the second half of 1935 was stated to be one-third below that of the preceding year; 20 per cent. of total business consisted of export orders, some of which had been accepted at a loss with a view to finding work for the staff; the reception given by the public to mixed tissues was declared to be unsatisfactory.

Hosiery.—The hosiery industry has recently complained bitterly of difficulties in obtaining raw materials, as well as of slack trade in the home market and the loss of export orders to Czechoslovakian hosiery manufacturers.

According to the census of the German hosiery industry taken in 1933, 169,500 workers were employed in this branch, including

101,000 in Saxony, which supplies 60 per cent. of German hosiery exports. In comparison with 1929, hosiery exports diminished in 1934 by 76 per cent. in value and 62 per cent. in volume. These figures also indicate the heavy drop in average prices obtained abroad. On the basis of 1928 = 100, the following figures show the development of hosiery exports from 1928 to 1934 :—

	1928.	1929.	1930.	1931.	1932.	1933.	1934.
Value	100	106.2	101.2	87.9	39.2	35.4	28.9
Volume	100	106.7	104.4	104.7	64.5	52.7	40.5

Among the export markets which declined heavily from 1930 to 1934 were the United Kingdom from RM.101 million to RM.20 million, U.S.A. from RM.32 million to RM.10 million, Holland from RM.29 million to RM.15 million, as well as Scandinavia, France, Italy and Switzerland.

With a view to preventing a further collapse of hosiery prices, the Labour Trustee for the Chemnitz district laid down in May, 1935, a scale of wages which must be paid to "commission" knitters of full fashioned hosiery.

Silk and Velvet.—After a certain amount of improvement in 1934, the silk trade developed unfavourably in the past year. This was attributed to the large hoarding purchases in cotton and woollen goods and to the higher outlay of the working classes on other necessaries. Business was extremely quiet throughout the whole year and there was practically no seasonal rise in demand as usual in Autumn. The efforts made by manufacturers to maintain employment for workers lead to an accumulation of large stocks, the liquidation of part of which was carried out at uneconomic prices. Subsequently further short time was introduced and numbers of workers were dismissed.

The demand for umbrella material and necktie cloths was somewhat better than in other branches of the silk industry. It was, however, considered desirable in the interests of smaller firms to prolong the prohibition on the opening of new factories for making necktie tissues from August, 1934, until the end of 1936.

Of the fifteen silk manufacturing companies, only three paid a dividend in 1933 and four in 1934. Their total stocks increased from RM.16 million in 1933 to RM.21 million in 1934.

The position of the velvet industry showed no improvement in 1935. Seasonal trade was short and affected mainly dress materials for export. Formerly some 11 per cent. of all tissues exported were velvet, to-day the corresponding figure is about 6 per cent. Europe takes over 50 per cent. of velvet exports, sales to the U.S.A. has dropped from 30 per cent. to 5 per cent., and 30 per cent. are consigned to Asiatic markets.

It was reported that the hopes placed in the new creaseless velvet were by no means fulfilled.

Exports of the silk industry in 1935 were considerably higher than in 1934, but the total value was below that for 1933 and 1932. The rise was said to be due largely to the success of necktie material manufacturers in recapturing markets closed to Italian goods, particularly the United Kingdom and Scandinavia.

Rayon.—The urgent need for greater supplies of textile raw materials from home sources led to another substantial addition to the output of the German rayon industry in the past two years. Output and sales developed as follows from 1932 to 1934:—

Output and Sales of German Rayon Industry.

<i>Output.</i>	<i>1932.</i>	<i>1933.</i>	<i>1934.</i>
	<i>(In thousand tons.)</i>		
Viscose	25,180	27,450	37,820
Cuprammonium and acetate	4,310	6,570	10,370
Total output	29,490	34,030	48,190
Total sales	29,800	33,600	52,300

Stocks were thus lowered to the extent of 4,000 tons in 1934, but were estimated to have risen again in 1935.

The number of employees in the rayon branch increased from 25,170 at the end of 1933 to 32,515 in 1934, and the total value of the output from R.M.142 million to R.M.211 million. Turnover within Germany improved from R.M.113 million in 1933 to R.M.206 million in 1934.

The German rayon production is provisionally estimated at about 55,000 tons in 1935. The output of staple fibre rose from 4,000 tons in 1933 to 10,000 tons in 1934 and to about 15,000 tons last year.

A group of banks backed by the Government was reported to have made available a credit of R.M.165 million for the purpose of building twelve factories for staple fibre (see also Chapter 13). The German Dye Trust (I.G. Farbenindustrie), the Vereinigte Glanzstoff Fabriken and I.P. Bemberg, the most important rayon concerns in Germany, increased their capacity for staple fibre. The chief new undertakings established in 1935 were the Spinnfaser A.G., of Cassel, a subsidiary of Glanzstoff (capital of R.M.7.5 million and capacity 18,000 tons), the Süddeutsche Spinnfaser A.G., of Kelheim (capital R.M.500,000 and capacity 7,000 tons) and the Schlesische Spinnfaser A.G. (provisional capital R.M.100,000). The two latter firms were formed by leading manufacturers in the cotton industry; an economic expert of the Government was a member of each board.

Details of imports and exports of rayon and staple fibre are given below :—

German Imports and Exports of Rayon and Staple Fibre.

				<i>Imports.</i>		
				1933.	1934.	1935.
				<i>(In metric tons.)</i>		
Rayon yarn ...	...	...	...	10,259	9,082	6,702
Staple fibre ...	...	...	...	2,026	7,602	8,776
Staple fibre yarn ...	...	...	...	1,001	1,479	611
Twist...	...	...	...	4	4	2
Total ...				13,290	18,167	16,091
Value in R.M. 1,000 ...				45,625	53,009	42,178
				<i>Exports.</i>		
Rayon yarn ...	...	...	...	7,522	5,352	5,454
Staple fibre ...	...	...	...	1,743	1,544	697
Staple fibre yarn ...	...	...	...	201	367	100
Twist...	...	...	...	155	136	125
Total ...				9,621	7,399	6,376
Value in R.M. 1,000...				32,750	25,317	23,186

The surplus of imports over exports of rayon yarn showed a marked decline last year, due to a restriction upon imports. The excess of imports over exports of staple fibre became greater in 1935. The volume of exports was about one-ninth of the total output in 1934, compared with one-third in the two preceding years.

The German-Italian rayon agreement, which forms the basis for imports into Germany from all countries enjoying most favoured nation treatment, was prolonged beyond the 31st December, 1935. The quota allowed in 1936 corresponds to 47 per cent. of imports effected from Italy in 1931.

The Vereinigte Glanzstoff-Fabriken A.G. increased their production by 57 per cent. in 1934, gross profits amounted to RM.43 million, compared with RM.24 million in 1933. Salaries and wages required RM.15.4 million or RM.4 million more than in the preceding year and RM.14 million were taken for depreciation. The financial position did not allow a dividend.

I. P. Bemberg A.G., the share majority of which is now held by Glanzstoff, increased its net profits from RM.70,000 in 1933 to RM.1,140,000 in 1934 and declared a dividend of 5 per cent.

Linen.—The flax crop in Germany increased from 6,500 tons in 1931 to 15,570 tons in 1933, 26,860 tons in 1934 and 62,500 tons in 1935, mainly due to the energetic financial support granted to growers by the Government, as well as towards the equipment of retting mills (see Chapter 10).

Imports of flax, including tow, dropped from 30,900 tons in 1934 to 20,300 tons in 1935; the total value, however, declined only from RM.16.6 million to RM.15.6 million.

The linen industry has made greater progress than any other textile branch. At the end of 1934 the number of spindles in commission was 50 per cent. higher than in the previous year, while output rose by 70 per cent. Five spinning mills were re-opened in 1934. In 1935 the linen output reached a high level only met with occasionally between 1925 and 1927 and about three times as high as the lowest figure recorded. A decline set in towards the end of the year. The rapid rise in prices came to an end in the Spring of 1935.

The favourable position of the linen industry in 1934 and 1935 was attributed largely to hoarding purchases of household linen and to the fact that raw material supplies were available under clearing arrangements, even if prices were high. Considerable military requirements were given as one of the causes of the brisk business towards the end of 1935 and as assuring a big turnover for some time ahead.

Financial.—The balance sheets of seventeen Companies in the linen industry with a share capital of RM.34 million showed a rise in gross profits from RM.25 million in 1933 to RM.32 million in 1934; net profits improved from RM.660,000 to RM.2.56 million, and the average dividend paid from 2.3 per cent. to 4.5 per cent. Only one firm had a loss in 1934.

Jute.—Imports of jute and jute tow in 1935 were about 6 per cent. higher in volume than in the preceding year, the total value rose by 14 per cent. The jute industry was obliged to restrict output in 1935 owing to difficulties in the raw material supply, but these were partly overcome by the use of substitutes such as flax waste and paper from home sources. Jute imports were to some extent also arranged on a compensation basis.

Not only have jute manufacturers benefited from better conditions in industry and agriculture, but the upward trend of prices has influenced their financial position.

A comparison of thirteen balance sheets of important firms in this branch reveals the fact that gross profits improved from RM.34 million in 1933 to RM.41 million in 1934 and net profits from 2.6 per cent. to 8.65 per cent. of the share capital. Dividends paid averaged 1.5 per cent. in 1933 and 3 per cent. in 1934.

The Braunschweigische A.G. für Jute und Flachsindustrie, which had a loss of RM.363,000 in 1933-4, paid 5 per cent. last year. The Jute Spinnerei und Weherei A.G., Kassel, raised its dividend from 4 per cent. to 6 per cent. Only one Company carried forward a loss into the current year, compared with eight at the beginning of 1933.

Hemp.—Plans for increasing the small domestic production of hemp are described in Chapter 10.

Although complaints were heard of the obstacles in the way of obtaining foreign deliveries of raw materials owing to the cumbersome working of the clearing with Italy and Jugoslavia, hemp and hemp tow imports rose in 1935 by 6,000 tons compared with 1934. The total value was approximately doubled. After the prohibition of exports of Italian hemp, the German industry became more dependent on sisal and manila. Imports of sisal advanced from 38,000 tons worth RM.8.6 million in 1934 to 52,700 tons with a value of RM.12 million in 1936. The large additional consumption of raw materials in the past two years indicates the great improvement in the German hemp industry.

The Hemp Works Füssen-Immenstadt increased output by 10 per cent. in 1934; the number of hands employed rose to 2,200. A dividend of 4 per cent. was paid in 1934, after working at a loss for a few years.

Ready-made Clothing.—According to figures of the German Statistical Office, it is estimated that the expenditure of the German population on all kinds of clothing dropped from RM.11,800 million in 1928 to an average of about RM.6,800 million in each of the years 1932 to 1934.

The clothing industry was favoured in 1934 by panic purchases and large contracts from public departments. This revival affected also the demand for underwear and assisted sales in the outfitting branch. The output of clothing (excluding underwear, etc.) was estimated at between RM.1,300 and RM.1,400 million in 1934. About 7½ per cent. of the total was exported. Clothing sales in the spring and summer of 1935 showed a decline of some 20 per cent. and although an improvement set in later the level of 1934 was not reached. The liquidation of Jewish concerns probably exerted an influence on both home and foreign sales of clothing.

Exports of clothing and underclothing together fell off from RM.94 million in 1933 to RM.67 million in 1934 and RM.54 million last year. Among the reasons given for the serious loss of foreign trade are the high labour costs in Germany and the unsuitability of clothing for barter transactions. Exports to some of the chief markets, including Holland, Switzerland and Scandinavia were from 15 per cent. to 25 per cent. lower than in 1934.

The German Clothing Industry opened an export office in June, 1935, which was intended to investigate marketing conditions including prices obtaining in all countries, to assist exporters in their foreign correspondence and to give information to buyers from abroad.

CHAPTER XIX.

MISCELLANEOUS INDUSTRIES.

Building.—The extraordinary revival in the building industry has been due primarily to public contracts on a large scale, secondarily to Government-sponsored housing schemes (see Chapter 33) and only in very small measure to private enterprise.

In September, 1935, it was reported that there were no skilled workers available in certain districts, particularly East Prussia, Central and South West Germany. Throughout the whole of Germany only 165,000 building workers were unemployed at that date, more than half of whom were in West and South East Germany.

In order to avoid excessive fluctuations in the cost of building materials, the Price Control Authorities were empowered in February, 1935, to fix maximum prices of all kinds of tiles and bricks, as well as transport charges of these goods. The basis to be adopted was the local price obtaining in July, 1933. Any essential increase in respect of higher costs of production was to be confirmed by the Labour Trustee.

At the instigation of the Ministry for Economic Affairs a Brick Export Association was formed in December, 1935, of which the members were mainly North German firms. The United Kingdom was mentioned as the most favourable market for their activities.

The West German basalt industry formed an export sales office in May, 1935. Negotiations were carried on with the Belgian industry with a view to putting an end to uneconomic prices and arranging quotas, particularly in Holland. The total stone output in Germany was estimated at twenty seven million tons in 1934, of which one-third was used by the German Railway Company.

Wood-working Industry.—After a revival in various branches of the wood-working industry during the second half of 1934, there was a slump in the furniture market in 1935. The demand for doors and windows, packing cases and other kinds of woodware, as well as in the carriage building branch was, however, slightly above the level of 1934. Employment in the parquet floor making and railway carriage construction branches showed a considerable improvement.

The supply of timber during the first ten months of 1935 was fairly high. A comparison with preceding years is given below :—

German Timber Supply.

			<i>Index of timber cut in State forests.</i>	<i>Imports.</i>	
			<i>1927-1929=100.</i>	<i>Round timber.</i>	<i>Cut Pine.</i>
				<i>(In 1,000 tons.)</i>	
1927	...	...	98	4,025	2,024
1928	...	...	105	3,719	2,366
1929	...	...	98	2,388	1,645
1932	...	...	69	597	583
1933	...	...	96	635	583
1934	...	...	111	1,391	1,039
January-October,	...	...	125	1,455	776

Stocks were generally larger than in 1934. For the first ten months of 1935 saw-mills and impregnating works were in commission up to 15 per cent. above the level of 1934. The plywood industry also improved a little beyond the relatively high degree of capacity used in the previous year.

The shortage of certain kinds of timber led to a rapid increase in prices. In February, 1935, maximum prices for cut timber were fixed by the German Authorities. A law was passed in October, 1935, regulating marketing conditions for forestal products, which granted extensive powers to the Chief Forester of the Reich to deal with fluctuations in supply and demand (See also Chapter 12).

In view of the fact that the large requirements of timber for public works and particularly for military contracts are not likely to be of a recurring nature, it is not expected that the high timber demand of the past two years will be maintained.

Cement.—Extensive public works, including buildings and motor roads, created a huge demand for cement which was reflected in turnover figures for the past three years. Sales rose from 2.8 million tons in 1932 to 3.5 million tons in 1933, 6.5 million tons in 1934 and 8.6 million tons in 1935. This quantity is higher than the post-war record of 1928, viz. 7.5 million tons.

The German industry, with the aid of an Export Association formed in November, 1934, had also made progress with regard to foreign sales in spite of the low prices ruling. Exports improved from 237,540 tons in 1933 to 330,276 tons in 1934 and 531,098 tons last year, but this figure is only about 50 per cent. of cement exports during the years 1927 to 1929. The Dutch market, which is regulated by an agreement between Germany and Holland, took 144,000 tons in 1934 and 147,000 tons in 1935. With most European countries the German cement industry has working agreements protecting the respective markets so that there is little scope for additional export trade. A remarkable increase took place in German cement exports to Brazil from 33,000 tons in 1934 to 82,000 tons in

1935, Venezuela from 7,000 tons to 33,000 tons, and British West Africa from 7,000 tons to 22,000 tons.

The Price Controller demanded a reduction of cement prices, failing which the Ministry for Economic Affairs would not renew the prohibition on the opening of new works after the end of February, 1935. (Prices in Berlin dropped from RM.493 per ten tons in 1928 to RM.367 per ten tons at the beginning of 1934 and R.M.328 in July 1935.) The refusal of the industry to agree to these proposals led to the establishment of a number of new producers. In April the Ministry appointed a Committee of Enquiry to investigate conditions in the cement industry, which published its findings in February 1936. The capacity which could be utilised profitably on existing prices at the end of 1935 was estimated at 12.8 million tons per annum, to be increased by another 500,000 tons up to the beginning of April. Additional plant with a capacity of 2.5 million tons is available, but it is either uneconomic in production at present or requiring certain further investment. During 1935 the German cement industry was on the whole working up to 67 per cent. of capacity; there were, however, wide differences in the level of production between various districts.

After difficult negotiations the German cement syndicates prolonged their cartel agreements until the end of 1936. The extension of the West German Cement Syndicate created great difficulty until the Ministry for Economic Affairs intervened and compelled four outside firms to become members of the cartel for the current year. They were given quotas based on their sales in 1935 but without any consideration for a rising market, and were subjected to control and penalties of the Syndicate. The Ministry issued a further prohibition on the opening of new cement works, or the extension of existing capacity, for the period March to December 1936.

Chemicals.—According to estimates of the Business Research Institute, production and export of the German chemical industry developed as follows :—

Production and Export of German Chemical Industry.

	1929.	1933.	1934.	1935.
	<i>(In RM. million.)</i>			
Production	4,800	2,800	3,200	3,400
Percentage of whole industrial output	5.5	6.5	5.9	—
Exports	1,597	787	761	763
Percentage of chemical production exported	33	28	24	22

Another estimate sub-divided the output of this industry into foodstuffs RM.520 million, domestic and medical products RM.800 million, supplies to clothing industry RM.450 million, and industrial supplies RM.1,150 million.

Exports as a proportion of output are claimed to be higher in the chemical industry than in any other branch. The total value of chemical exports is exceeded only by that of iron and steel products. The distribution of exports, excluding oils, rubber, etc., is given below :—

Exports of German Chemical Industry.

	1913.	1929.	1933.	1934.	1935.
	(In RM. million.)				
Total	814	1,410	688	651	652
Including—					
Chemicals and intermediate products ...	219	349	202	183	185
Nitrogen... ..	60	312	60	49	59
Dyestuffs	219	204	134	144	132
Pharmaceuticals	70	131	106	104	109
Photographic materials	22	60	33	36	32
Mineral colours	50	63	34	31	31
Oil colours, varnishes	33	70	34	31	30
Rayon	—	98	33	25	23

Germany supplies about two-fifths of the world's exports of pharmaceuticals and photographic materials. Deliveries of explosives have fallen off from RM.74 million in 1913 to RM. 13 million in 1935.

Although exports have diminished considerably, the United Kingdom and the U.S.A. are still the most important markets for German chemicals, followed by Holland, Switzerland, Italy and Japan. The demand from Spain, Hungary, Roumania and Bulgaria showed an upward tendency. Sales to Brazil and the Argentine have undergone the greatest improvement. For the first eleven months of the year chemical exports increased by 12 per cent. in volume compared with 1934, but only by 0.8 per cent. in value. The drop in prices was mainly for dyestuffs and fertilisers.

Among the branches of production which have received particular attention by the German chemical industry in the past few years are petrol, textiles (rayon, staple fibre), light metals, resin, horn, glass and casings (Compare Chapter 13).

German Dye Trust (I. G. Farbenindustrie). The annual report of this company for 1934 indicated a rise in home sales, especially in the new branches intended to create additional supplies of raw materials. The maintenance of export business was only possible in some instances by means of higher expenses, sacrifices in prices, and partly by carrying out long term compensation transactions.

The number of persons employed increased from 112,600 in December, 1933, to 134,700 in 1934. Exclusive of the personnel of their mining interest, the Company had 97,490 employees on the 1st November, 1935, compared with 92,314 at the beginning of the year.

Total receipts were RM.565 million in 1934, as against RM.491 million in 1933. Wages and salaries increased from RM.186 million to RM.210 million. Additional investment in plant amounted to

RM.77 million in 1934, while writings-off accounted for RM.80 million. Stocks dropped from RM.150 million in 1933 to RM.129 million in 1934. The Company endeavoured to finance its raw material supplies by foreign credits, which were RM.24 million higher than in the previous year.

Net profits amounted to RM.84 million, compared with RM.64 million in 1933. A dividend of 7 per cent. was again declared.

Sales of Rayon were described as satisfactory; there was a brisk demand for "Vistra" and "Cuprama" fibres. The output of and turnover in nitrogen of the previous year were maintained, although exports were lower. Further technical progress was made in the synthetic production of oil from lignite and coal, although with regard to the latter further protection was considered desirable to make it an industrial proposition. The firm's output of lignite was nineteen million tons in 1934 or two million tons higher than in 1933. The turnover in dyestuffs improved both in volume and value, but exports showed a downward tendency; European business remained steady. A remarkable extension took place in the demand for pharmaceuticals and insecticides. There was a ready market for perfumes, though prices declined. Sales of photographic materials at home were good; business in cinematograph film was quiet. The plans for increasing the benzine output were put into operation. At the end of 1935, 16,500 persons were employed at the Ammoniakwerke, Merseburg/Leuna, compared with 15,100 at the beginning of the year. It was estimated that the German Dye Trust controlled about one-third of the whole output of the chemical industry and some two-thirds of total exports.

Nitrogen.—Sales of fertilisers by the Nitrogen Syndicate within Germany dropped from 394,000 tons in 1929-30 to 317,000 tons in 1931-2, but rose again to 351,000 tons in 1932-3 and 374,000 tons in 1933-4. After prices of potash and phosphate fertilisers had been lowered by 12 per cent. and 10 per cent. respectively, the Nitrogen Syndicate were induced by the Agricultural Estate to modify their prices again, the reductions ranging between 5 per cent. and 20 per cent. This measure for the year 1934-5 was made subject to an increase of 25 per cent. in demand which failed to materialise. Sales improved by only 9 per cent., so that prices were restored to their former level for the year 1935-6.

The International Nitrogen Agreement was signed in July, 1935, for a period of three years. The German output of synthetic nitrogen compared with world production was given as follows:—

Production of Synthetic Nitrogen.

	1929.	1931.	1932.	1933.
	<i>(In 1,000 tons.)</i>			
Total world production	1,672	1,318	1,336	1,500
German production	750	448	450	500-520

The capacity of the German industry is estimated at about 1.2 million tons and home consumption at approximately 450,000 tons per annum.

The regulation of export markets provided for a German quota of 80,000 to 100,000 tons of nitrogen. The position in relation to the world market is given below:—

Export Trade in Nitrogen.

	1925-26.	1928-29.	1933-34.
	<i>(In 1,000 tons.)</i>		
Total world exports ...	500	850	440
Including from—			
Chile	325	420	160
Germany	100	255	100

The heavy fall in export prices for fertilisers is demonstrated by the fact that, although the volume of all German exports of this kind in 1935 was 35 per cent. higher than in 1934, the total value was 10 per cent. below the previous year's figure.

The agreement with Chile regarding imports of saltpetre into Germany was amended by an exchange of notes in September, 1935. The German Government arranged to issue import permits for 85,120 tons of saltpetre in the year 1934-5 up to the end of October, 1935. Similar reductions in price were made by the Chile Saltpetre Company as those introduced by the Nitrogen Syndicate.

CHAPTER XX.

MISCELLANEOUS INDUSTRIES (Contd.)

Leather.—The official index of production in the leather industry showed an upward tendency on the whole in 1934 and 1935, but some branches of the finished goods industry had a critical time, particularly footwear in various centres and leather goods at Offenbach.

The situation with regard to raw material was complicated by the marketing of German hides and skins under conditions which often compelled the manufacturer not only to pay fixed prices much higher than foreign quotations, but to take over also a proportion of goods entirely unsuitable for his purpose. Such transactions could only result in losses on export trade. On the other hand the instructions of the Price Controller drew limits to the margin of profit obtainable in the home market.

The output of German hides and skins was estimated at RM.80 million in 1933 and RM.94 million in 1934. For the first ten months of the year the supply from home sources amounted to 101,000 tons of ox hides and 25,000 tons of calf skins in 1935,

compared with 98,000 tons and 25,000 tons respectively in the corresponding period of 1934.

Imports of hides and skins rose from RM.114 million in 1933 to RM.130 million in 1934, and RM.110 million in 1935, while exports dropped from RM.21 million to RM.8 million and RM.4 million in the corresponding years. Foreign exchange difficulties were partly overcome by large compensation deals. Leather imports remained at about RM.30 million per annum in 1933 and 1934, but declined to RM.20 million in 1935; exports fell from RM.87 million in 1933 to RM.57 million in 1934 and improved again to RM.72 million in 1935. The monthly average of leather exports was 736 tons in 1935, compared with 530 tons in 1934; prices were 10 per cent. lower last year. The supply of tanning materials increased by about 20 per cent. in 1934 and again by 11 per cent. in 1935.

With regard to export trade, the United Kingdom was again a much better customer for most kinds of leather in 1935; the U.S.A. bought large consignments of goat skins from Germany, but the Dutch and Swiss markets presented difficulties to the German exporter of leather.

Towards the end of 1935, the slackness in the finished goods industry was reported to have led to higher stocks of leather and a certain financial stringency of some firms. The supply of hides and skins was, however, at a lower level. In order to prevent radical fluctuations in supply and demand, the Leather Control Board fixed buying quotas for hides and skins from October, 1935, to March, 1936, at 80 per cent. of normal requirements in the first quarter of 1934.

Footwear.—The German footwear industry finds employment for about ninety-five thousand hands and has an annual output of some RM.500 million, of which 86 per cent. consist of boots and shoes and 14 per cent. of slippers. Production in 1935 was estimated at sixty-five million pairs. While the demand for capital goods has advanced heavily in the past three years requirements of goods for consumption of the working classes such as footwear have not kept pace with this revival, partly owing to the higher cost of living. Another reason is the large orders placed since 1933 for service boots by Government Authorities and political organisations, which temporarily helped the industry, but which have since tended to depress the market for ordinary civilian boots and shoes. The index of production for capital goods generally on the basis of 1932=100 rose from 116 in 1933 to 168 in 1934 and 209 in 1935; for leather footwear the corresponding figures were 107, 121 and 109. Footwear manufacturers were obliged to dismiss employees and in some districts to curtail working hours from about forty to thirty a week. The Ministry for Economic Affairs carried out an enquiry in February, 1936, with a view to adopting relief measures for the Pirmasens footwear industry.

The following table shows the development of German foreign trade in footwear :—

German Foreign Trade in Footwear.

Year.	Imports. Exports.		Imports. Exports.	
	Quantity, (1,000 pairs.)		(Value R.M. 1,000.)	
1913	1,238	4,747	10,606	28,593
1929	2,151	2,746	21,446	30,304
1933	129	854	1,284	6,374
1934	143	672	1,644	4,956
1935	130	525	1,397	3,472

The export of footwear which was formerly between 6 per cent. and 8 per cent. of the total output, has dropped to less than 1 per cent. The apparent decrease in foreign sales during 1935 is mainly due to the incorporation within Germany of the Saar Territory, which formerly appeared as an export market.

Paper Industry.—The output of paper and cardboard in 1934 was 11 per cent. above that of the preceding year, while the production of cellulose increased by 16 per cent. Employment and production rose again in 1935; for the first ten months the high level reached in 1928 was again achieved. Cellulose showed the greatest improvement. The official index based on hours worked as a percentage of capacity advanced from 50 in 1932 to 53 in 1933, 62 in 1934, and 66 in 1935.

Employment in the paper working branches was 11 per cent. higher in 1935 than in 1934, particularly in cardboard box-making, bookbinding and miscellaneous paperware, but the previous year's turnover of wallpaper was not maintained. The higher figures for books published also influenced demand in the paper-working industry.

The tendency for cellulose exports to rise and paper exports to fall was reversed in 1935. Cellulose exports dropped from 308,000 tons in 1934 to 295,000 tons in 1935. Foreign sales of all kinds of paper and paperware rose from 290,000 tons valued at R.M.133 million to 374,000 tons worth R.M.147 million last year. Exports of newsprint advanced from 66,000 to 117,000 tons, and packing paper from 54,000 to 67,000 tons, of which 26,000 tons were consigned to the United Kingdom.

The Association of Printing and Writing Paper Manufacturers, which includes some 25 per cent. of the total paper output, received the approval of the Price Controller to raise prices as well as those of the working-up industry and wholesalers by about 5 per cent. in March, 1935. A further increase was allowed in January, 1936. With a view to providing employment and creating foreign exchange price sacrifices were made in booking export orders.

Ceramic Industry.—The output of the ceramic industry improved from 1933 to 1934 by about 12 per cent. and again in 1935 by a further 7 per cent. Industrial capacity was utilised on the whole up to about 58 per cent. in the past year; in the earthenware

branch only 42 per cent. of total capacity was in commission in September, 1935. In the chinaware branch production increased during the first nine months of 1935 by 18 per cent. compared with the preceding year, principally due to large orders placed by the Military Authorities. The official index of retail sales of glassware and ceramic products on the basis of 1921 equals one hundred rose from seventy-eight in 1933 to ninety in 1934 and ninety-seven in the past year.

The ceramic industry is, however, largely dependent upon export trade. Before the war 50 per cent. of the total output was sold abroad; since 1918 as much as 60 per cent. and even 70 per cent. of production has been exported. In 1934 exports of chinaware were only about one-third of the corresponding figures in 1929. For the past three years exports were as follows:—

<i>Monthly average in the year.</i>				<i>Chinaware.</i>	<i>Decorative. porcelain.</i>	<i>Earthenware.</i>	
						<i>White.</i>	<i>Coloured.</i>
<i>(In RM. 1,000.)</i>							
1933	...	...	...	1,157	358	591	366
1934	...	...	...	979	267	575	300
1935	...	...	...	940	260	738	314

The success in earthenware exports during the latter part of 1935 was achieved by means of heavily reduced prices in order to meet Japanese and Czechoslovakian competition. From 1929 to 1934 it was estimated that export prices of electrical porcelain dropped by 11 per cent., of decorative porcelain by 22 per cent., and of chinaware by 40 per cent. On the other hand the Price Controller authorised in July, 1935, an increase of 5 per cent. in chinaware prices for the home market.

In July, 1935, an agreement was arrived at between German, Czechoslovakian and French porcelain manufacturers regarding marketing conditions in Italy. Similar arrangements were made with respect to the Austrian porcelain market between the German, Czechoslovakian and Austrian industries in November, 1935, but operation was deferred pending the conclusion of a commercial treaty between Austria and Czechoslovakia. The Italian agreement provides for minimum prices which must also be maintained by Italian manufacturers.

Glass Industry.—Production in the various branches of the glass industry increased on an average in 1934 by 13 per cent.; a similar improvement took place during the past year. Not only were the building, automobile and furniture industries at home more receptive, but the downward trend of exports came to an end. Output in the plate glass industry was 10 per cent higher at the end of 1935 than a year previously.

In the home market the German Authorities intervened in the question of prices fixed by cartels. The Association of Flat Glass Users were obliged to lower their prices in January, 1935. The Association of Plate Glass Manufacturers, which dropped its prices

for building glass by 5 per cent. in April, 1934, carried out a further reduction of 5 per cent. in February, 1935.

A compulsory cartel of insulated flask manufacturers was formed by the Minister for Economic Affairs in February, 1935, who also issued a prohibition on the extension of plant in this branch. Sales at uneconomic prices were forbidden both at home and abroad, although it was stated that home prices generally were not to be raised.

The "Cartel for Coloured Bottles" which was formed in March, 1935, included all the forty-five firms in this branch and drew up a binding price list subject to the approval of the Price Controller. Concessions were made to two outstanding manufacturers whose low quotations were formerly alleged to have disturbed the home market.

Deutsche Tafelglas A.G. Vereinigte Vopelius'sche und Wenzelsche Glashütten and Rheinische Ziehglass A.G. established an export sales office for window glass, known as the "Deutsche Fenster-glas-Ausfuhr G.m.b.H." Frankfurt in 1934. The export orders of the three member firms were reported to be much higher in 1935 than in 1934, although prices had fallen in the meantime.

Under the auspices of the "Estate of German Handicrafts", a Glass Cartel was formed in 1934 of which all glaziers in Germany became members. Prices and conditions were approved by the Price Controller and uniformly enforced by the Court of Honour of the Estate.

Imports of glass and glassware rose from 10,650 tons valued at RM.12.4 million in 1933 to 16,400 tons valued at RM.14.7 million in 1934, but dropped again in 1935 to 10,100 tons valued at RM.9.3 million. The incorporation of the Saar Territory within Germany influenced the statistics of the past year.

The following table shows exports by classes of goods from 1929 to September, 1935 :—

German Exports of Glass and Glassware.

	1929.	1932.	January-September.			
			1933.	1934.	1934.	1935.
	<i>(In RM. million.)</i>					
Total glassware	169	81	78	70	50	55
Including—						
Blown glass	63	29	29	25	18	19
Mirror glass	20	9	8	7	5	6
Plate glass	10	8	7	8	5	7
Plain bottles	7	3	3	2	2	2
Hollow glass	68	31	31	27	19	21
Optical glass	2	1	1	1	1	1
Optical goods... ..	69	38	38	34	25	31
Miscellaneous glass, etc. ...	10	5	4	4	3	3
Total	247	123	120	108	78	88

For the whole year exports of Glass and Glassware increased from 102,000 tons valued at RM.108 million in 1934 to 120,000 tons valued at RM.120 million in 1935.

Apart from falling prices, glass exports declined by 40 per cent. from 1929 to 1932. There was a further drop of 15 per cent. in prices in 1933, which enabled a greater turnover to be achieved. In 1934 the downward tendency of exports again continued in spite of lower quotations. The loss of foreign markets was attributed largely to the creation of industries for Glassware undergoing a relatively simple process, whereas the export of more complicated glass apparatus and cut glass did not diminish to the same extent. Compared with 1929, total exports of glassware fell off during 1934 to Chile to one-twelfth, Australia and Uruguay to one-quarter, and Canada and Mexico to one-third of the former volume. The United Kingdom continues to be the best market for German glass and glassware, followed by Switzerland, Holland, France, Italy, U.S.A. and Sweden.

"Deutsche Libbey Owens A.G." again declared a dividend of 10 per cent. in 1934, gross profits rose from RM.5.7 million in 1933 to RM.7.4 million, depreciation increased from RM.60,000 to RM.1.9 million, and the number of workers was 34 per cent. higher than in the preceding year.

Deutsche Tafelglas A.G. also paid 7 per cent. for 1934. Sales within Germany were 33 per cent. higher than in the previous year and exports advanced by 12 per cent.

Zeiss-Ikon A.G., the largest German manufacturers of photographic and optical goods, reported that they were unable to pay a dividend for the year ending September, 1934, owing to the expenditure incurred in providing employment for 1,600 additional workers. Salaries and wages required RM.8.7 million, as against RM.6.24 million in the preceding year. A sum of RM.900,000 was spent on additional plant, stocks were 40 per cent. higher and liquid resources at the end of 1933-4 were only a small fraction of the previous year's figure.

For the first nine months of the year, exports of optical goods, chiefly photographic lenses and apparatus, improved from RM.25 million in 1934 to RM.31 million in 1935.

Musical Instruments.—The depression in the German musical instruments industry during past years was relieved to some extent in 1935 by a higher demand from abroad. The relative importance of the various branches has, however, been subject to drastic alterations.

From 1927 to 1933, the number of firms in the piano branch contracted from 124 to 37; 17,000 employees were reduced to 4,700. The piano output decreased from 41,000 units in 1930 to 6,300 in 1934. There was a shrinkage in German exports of

pianos and piano parts from RM.44 million in 1929 to RM.3.7 million in 1934. The corresponding figure in 1935 was RM.4.3 million; the number of instruments sold abroad rose from 3,100 in 1934 to 4,000 last year. Piano exports to the United Kingdom were almost four times as high in 1935 as in 1933.

Nevertheless Germany claimed to have increased her proportion of world exports of musical instruments during the period 1929 to 1934 from 38 per cent. to 48 per cent. of the whole. The improvement was mainly effected by means of higher foreign sales of mouth organs and concertinas, exports of which rose again by 25 per cent. and 9 per cent. respectively in 1935. The best markets for these goods were the United Kingdom, U.S.A., Switzerland, South America, Canada, South Africa and Australia.

Another unsatisfactory feature is the collapse of exports of gramophone records from 14 million in 1929 to two million in 1934 and 1.8 million in 1935.

The following is a summary of foreign trade figures for musical instruments in the past five years:—

German Exports of Musical Instruments.

	1931.	1932.	1933.	1934.	1935.
	(In RM. million.)				
Total	19.43	11.66	10.5	12.00	14.57
Including—					
Violins	2.25	1.19	0.77	0.73	0.67
Mouth organs	6.28	3.39	3.46	4.06	5.14
Concertinas and melodians	5.18	3.42	3.21	4.66	6.19

Cinematograph Films.—The number of long feature films passed by the censor for exhibition in Germany during the past six years, together with the source of supply, is given below:—

	<i>Produced in</i>					
	1935.	1934.	1933.	1932.	1931.	1930
Germany	94	122	121	127	148	151
U.S.A.	50	37	65	54	80	97
European countries	57	37	27	29	58	57
Total	201	196	213	210	286	305

The films supplied from European countries in 1935 included seventeen Austrian and fifteen French.

In view of the fact that part of the foreign films have a ready demand only in large towns, the supply of material for exhibition in the past year was much below that of 1934. The drop in German production was primarily attributed to difficulties experienced in putting into execution the programmes projected by various companies owing to shortage of suitable artistes. Thirty-seven firms participated in the production of the ninety-four films. For the season 1935-6, fifty-three long feature films are in course of production.

The strict organisation of the German cinematograph film industry and its supervision by the Ministry of Propaganda has eliminated some undesirable features of this branch, but the subordination of commercial considerations to the political and cultural principles of National Socialism implied by such measures as the removal of Jewish producers, authors, directors and actors, the practical suppression of individual and critical creative enterprise by a bureaucratic control of material and personnel, and the fostering of a set political tendency have militated against the preservation of an atmosphere in which a new and delicate industry can thrive, especially when it is to a great extent dependent for prosperity upon export markets where commercial considerations prevail. This statement is borne out by the figures given above, from which a decrease in German film production of some 25 per cent. can be noted between 1932 and 1935.

The German Film Export Company (Deutsche Film Export G.m.b.H.) was established in June, 1935, by the whole German industry and with the collaboration of the Film Chamber and the Film Credit Bank. Credits were to be granted to assist the production and distribution of German films for export markets. The German Film Insurance Association, which was formed to take up business formerly done by foreign firms, raised their premiums by 25 per cent. after the unfavourable development of trade in the first quarter of 1935.

According to figures issued by the Business Research Institute, the number of persons visiting cinemas in 1935 was good and especially in the smaller towns much greater than in 1934. Gross takings were higher and the average price of tickets for admission also rose in the past year.

The prohibition on the opening of new cinemas which was due to expire on the 31st March, 1935, was prolonged for another twelve months by the Film Chamber.

Within the scheme for the exhibition of educational films in schools, a supply of ten thousand projection apparatus was arranged in January, 1935. It was proposed to complete the equipment of all schools numbering about sixty thousand in five years. The scheme was to be financed by a subscription of twenty pfennings per child every three months. Some twenty-three State Departments and eight hundred municipal offices were included in the organisation of this scheme.

The UFA (Universum Film A.G.) passed its dividend in 1934-5 after paying 2 per cent. in the preceding year. Gross profits dropped from RM.52 million to RM.50 million, and net earnings from RM.1.2 million to RM.115,000. Receipts in Germany improved by 7 per cent.; foreign trade became more difficult, partly owing to the boycott abroad. The production programme for 1935-6 included twenty-eight feature films, thirty cultural films, twenty-eight short reels and one hundred and four topical news reels.

CHAPTER XXI.

National Income: Price Control; Home Market: Wholesale and Retail Trade.

National Income.—According to an enquiry carried out by the Business Research Institute, German salaries and wages of all workers, clerical staffs and officials developed as follows :—

National Income from Salaries and Wages.

<i>Period.</i>	<i>1929.</i>	<i>1932.</i>	<i>1933.</i>	<i>1934. (provisional).</i>	<i>1935</i>
					<i>(In RM. million.)</i>
1st quarter... ..	10,250	6,315	6,070	6,969	7,412
2nd quarter	11,385	6,580	6,552	7,535	7,877*
3rd quarter	11,759	6,618	6,892	7,680	8,330
4th quarter	11,072	6,488	6,828	7,607	8,137
Yearly total	44,466	26,001	26,342	29,791	31,756

* Including Saar territory from 1st March, 1935.

During the past four years total salaries and wages earned have increased by almost 25 per cent. On the other hand the higher number of employed has automatically reduced payments made in respect of unemployed relief. It was therefore estimated that the nominal purchasing power of these classes of workers together has risen in all about 18 per cent. during the same period, if no consideration be given to price fluctuations and social levies which are dealt with in Chapters 36 and 37.

The pace at which these incomes rose from 1933 to 1934 was by no means maintained during the past year, especially in view of the fact that part of the improvement was due to the incorporation of the Saar Territory.

Earnings from the above sources are stated to constitute between one half and two thirds of the whole national income, which on this basis is estimated at over RM.56,000 million in 1935, compared with RM.52,000 million in 1934 and RM.45,000 million in 1932.

Price Control.—An emergency Decree of December, 1931, provided for the control of prices and its regulations were temporarily maintained and supplemented by the present Government. In 1933 associations were forbidden to fix minimum prices and profits on the sale of foodstuffs without the approval of the price control authorities. The provisions were extended to all daily necessities by a Decree against Rising Prices of May, 1934. By further decrees of August, 1934, and December, 1934, the prohibition on the increase of prices was applied to all goods and commercial services (except wages), unless controlled by the Agricultural Estate and the Chamber of Culture, or approved for inland shipping by the Minister of Transport..

The official Price Controller was reappointed by a law of the 5th November, 1934, and functioned until the 1st July, 1935, when his duties were transferred to the competent departments of the Ministry for Economic Affairs and the Ministry of Agriculture.

The basic regulations for the present price control are contained in a "Decree against Binding Prices and against Higher Prices for Necessaries" of the 11th December, 1934, which again required the sanction of the Controller to all minimum prices and profits or maximum discounts fixed by cartels and other associations. Producers and wholesalers are forbidden to make adjustments in retail price lists to the detriment of consumers.

Regulations of March, 1935, laid down that it was illegal for firms submitting tenders for public contracts to make agreements or uniform recommendations concerning prices without the approval of the Price Controller.

In various branches where foreign trade transactions were involved special price instructions were issued, for example, with respect to textile raw materials and non-ferrous metals.

German legislation of the past few years is so comprehensive that it enables if necessary the control and regulation of all prices connected with production and sales of raw materials and finished goods, as well as commercial services. It is officially stated that price control has recently been applied to ensure the execution of labour creation schemes, to meet military requirements, to safeguard foreign trade interests and to prevent increases in the cost of living. The methods employed by Price Control Authorities include the laying down of minimum, standard or maximum prices, profits and discounts, coupled with a strict control of turnover by volume, the cancellation of uneconomic price agreements, and measures to protect the consumer such as compulsory marking of prices, packing regulations and explanatory communications to the press by Control Departments.

Home Market: Wholesale Trade.—The turnover of the wholesale trade increased in 1933 and 1934 more rapidly than that of the retail branch. Changes in demand were not the only factor responsible for this development. On a rising market, there was no necessity for the exercise of caution when filling up stocks. The hoarding purchases of the population in the second half of 1934 assisted the boom. Towards the end of the year orders placed by retailers showed a sharp decline; the retail branch apparently adapted itself sooner to the reduced demand of the public. The lower capital resources of retailers also entailed a restriction of purchases in keeping with current requirements and, as far as possible, the elimination of trade risks inherent in fashionable goods.

The result was a constant slowing down of the upward movement of wholesale trade. At the end of the first half of 1935, the sales of several branches were below the level of 1934. For the first

six months the value of building materials disposed of was 9 per cent. under that of the previous year, and prices had risen in the meantime. The turnover in foodstuffs increased by 5 per cent., which was probably due solely to price differences; the price index was 12 per cent. higher. In the cloth trade turnover was stated to have been maintained, but prices were 8 per cent. above those of 1934. The leather branch was unfavourably situated in June, 1935; for the whole six months, however, total sales were almost up to the preceding year's level.

Compared with 1934 it was estimated that sales in 1935 had increased in value as follows:—foodstuffs 8 per cent., confectionery 10 per cent., toys, etc. 4 per cent., leather 2 per cent., ironware 7 per cent. Wholesale sales of building materials decreased as much as 5 per cent. The turnover in cloth was 26 per cent. below that of 1934 although higher than in 1933.

The following table compiled by the Trade Research Board (Handelsforschungsinstitut) indicates the development of wholesale trade for 1934 and up to October, 1935:—

Wholesale Turnover as percentage of preceding Year's Figure.

Wholesale trade in	Whole of				
	1st quarter, 1934.	1st half, 1935.	3rd quarter, 1935.	October, 1935.	
Foodstuffs	112	106	105	122	131
Confectionery	119	105	105	127	138
Cloth	173	120	100	103	—
Toys, haberdashery, etc. ...	116	102	102	123	124
Leather	102	101	99	105	114
Ironware	127	105	102	140	139
Building materials	160	70	81	156	—

The remarkable development in sales of ironware and building materials is attributed to a great extent to the influence of public measures to promote building enterprise and to official building contracts. On the other hand the heavy demand of public departments for certain classes of goods, such as uniform cloth and foodstuffs, has affected business formerly transacted by wholesale firms.

Retail Trade.—The Business Research Institute (Institut für Konjunkturforschung) issued the following table showing the development of retail sales in the past seven years:—

Retail Sales.

	1929.	1930.	1931.	1932.	1933.	1934.	1935.
	(In RM. thousand million.)						
Foodstuffs, beverages, tobacco, etc.	15.5	14.6	12.5	10.5	10.0	10.5	11.4
Textiles and clothing	10.0	8.8	7.6	5.9	5.8	6.8	6.9
Furniture and fittings	4.6	4.1	3.5	2.4	2.3	3.0	2.9
Luxury goods	4.8	4.4	3.6	2.8	2.6	2.8	2.9
Coal	1.7	1.2	1.3	1.1	1.1	1.1	1.1
Total	36.6	33.1	28.5	22.7	21.8	24.2	25.2

The extraordinary influences operating in the past few years render it difficult to draw any conclusions from these figures. As mentioned above the demand for consumption goods lagged behind that of production plant. The greatest improvement in 1935 appears to be in foodstuffs, but the main reason for this increase was higher prices, coupled with a temporary shortage of low grade commodities such as fats. The official index for foodstuffs was only 1.8 per cent. higher than in 1934. The hoarding purchases in 1934 and greater expenditure on foodstuffs were considered responsible for the slackening down of trade in textiles and clothing in the past year, when the index of clothing prices was 6 per cent. higher; the net drop in volume on this basis was therefore about 5 per cent. Both value and volume of furniture sales were lower in 1935 owing to the large decrease in Government marriage subsidies; the number of marriages in the large cities was 13 per cent. below that of 1934.

Department, Chain Stores and Multiple Shops.—The National Socialist policy directed against department and chain stores and multiple shops has led to a definite falling off in the trade done by these shops. The legislation curtailing their activities is mentioned in the Introduction. Many foodstuffs departments, restaurants, and handicraft services which rendered department stores attractive have been closed down completely. Total sales of department stores were 5 per cent. lower in value in 1935 than in 1934, without taking into consideration the rise in prices. In comparison with the depression of 1932, the turnover of department stores had declined last year by a further 21 per cent.

V.—FOREIGN TRADE

CHAPTER XXII.

General Trends; The Trade Balance; Tariff Changes.

General Trends.—The success of the plan for the drastic reduction of unemployment figures through a national scheme of work creation and revival of the home market depended on the maintenance of a steady, indeed increased, flow of raw materials from abroad. But foreign exchange difficulties were increasing in 1933 and 1934, and threatened further to restrict imports rather than permit of any expansion. After an unsatisfactory period of hand-to-mouth administration of the foreign exchange facilities necessary for the import trade, the New Plan was evolved in September, 1934. Under this scheme imports were made entirely dependent on the foreign exchange control system and were, therefore, in the last resort determined by the Government both as regards the commodities imported and the countries from which they came. Since, in some branches of the export trade, Government control was already well established through the Scrip and other subsidies

which could be granted or withheld according to the decision of Governmental Authorities, the New Plan brought to a very high pitch the degree of Government control over all foreign trade and—subject to the limitation imposed here and there by commercial treaties—the Government could direct purchase and sale to whatever countries or commodities were of most service at the time to the German national interest.

Until recently commercial treaties used to define the framework within which the nationals of two countries could effect commercial exchanges, and Governments were as a rule content to limit their activities in international commerce to such general schemes. But a tendency, very noticeable in German commercial relations with foreign powers, has sprung up for agreements to be no longer framework schedules, but rather definite arrangements for transactions in specific goods or classes of goods in specified quotas of volume or value. Country A bargains with country B that if B will undertake to admit to her market a certain quantity of goods which A is anxious to sell, A will in return accept certain specified goods from B which otherwise would not be admitted. And so on; the variations of this general scheme are legion. Subject to the limitations imposed by such agreements and by commercial treaties of longer standing and on the old model, the German Foreign Exchange Authorities under the New Plan as it had been developed by the middle of 1935, obtained complete control over German imports. It was Government, and not Business, which decided what imports were to be made. Any goods imported without Government permission manifest in the form of a foreign exchange certificate, could not in principle be paid for either in Reichsmarks or in foreign currency. Imports of raw materials for processing and re-exports, and imports necessary to the execution of the work creation and re-armament programmes, were given special preference in the allotment of exchange facilities.

In the purchase of raw materials from foreign sources full use was made of Germany's frozen credits abroad, and after these had been liquidated, raw materials were freely purchased from countries with which clearing agreements had been concluded and to which payment could be made in Reichsmarks through a clearing account at the Reichsbank in Berlin. At the end of 1935 there were as a result of this process large and untransferable balances standing to the credit of several of the clearing accounts of foreign countries at the Reichsbank in Berlin. The net effect, though not of course the deliberate intent, of these extensive German purchases on clearing account was an exploitation of the exporting interests in the countries, partners to Germany in clearing systems, in favour of what can be regarded alternatively as a system of short term commercial credits for Germany, or, from the point of view of their liquidation, as a stimulus to German exports of manufactured goods.

By these means, and with the help of the very extensive export subsidy schemes described in the next Chapter, Germany's foreign trade has been kept going in such a way as to ensure the supply to the country of enough raw materials from abroad to keep her industries in action. It has, however, been authoritatively declared that the monthly export figure of between R.M.300 million and R.M.400 million, which was achieved in 1935, is not sufficient permanently to cover Germany's great import needs.

The Trade Balance.—The following figures show Germany's foreign trade totals in the past three years :—

	1933.	1934.	1935.	1933.	1934.	1935.
	(Volume, metric tons.)			(Value, R.M. million.)		
<i>Merchandise—</i>						
Imports	... 35,391,462	44,407,214	47,372,672	4,204	4,451	4,159
Exports	... 41,831,624	45,217,760	50,137,310	4,871	4,167	4,270
				+667	-284	+111
<i>Gold and silver—</i>						
Imports	... 1,831	3,187	647	406	282	150
Exports	... 1,188	584	277	833	500	49

The above table shows that both imports and exports very steadily increased in volume for the past three years, whereas in terms of value, the tendency has been stable or slightly downward. No conclusions can, however, be drawn from these facts without allowing for changes in the constitution of the volumes involved (e.g. a shift towards heavy, but inexpensive raw materials such as iron ore, and away from more valuable volumes such as oil seeds and wool), the important price changes which have occurred in both import and export commodities, and (in connection therewith) the effect on her foreign trade returns of Germany's maintenance of the gold standard for the free Reichsmark.

The official statistics show an active trade balance in 1935 amounting to R.M.111 million compared with a passive balance of R.M.284 million in 1934. Exports increased from R.M.4,166.8 million to R.M.4,269.6 million, while the figure for imports fell from R.M.4,451 million to R.M.4,158.6 million. The volume of imports increased, however, from 44,407,414 metric tons to 47,372,672 metric tons, and of exports from 45,217,760 to 50,137,310 metric tons.

Part of the 1935 export surplus is doubtless represented by exports sold on credit, and a large proportion of Germany's trade was done by means of barter and compensatory transactions from which no foreign exchange accrued. It was officially stated towards the end of 1935 that 60 per cent. of Germany's foreign trade was being conducted through State Clearing Agreement Accounts, and 20 per cent. by means of private barter and other compensatory transactions. Of the 20 per cent. which was transacted in cash and resulted in

placing foreign currency at Germany's disposal 10 per cent. had to be paid away in services abroad, interest, and miscellaneous payments.

Customs Tariff Changes.—Customs tariffs have obviously ceased to play so important a part as once they did in regulating international trade exchanges, but they still play some.

The most important alterations in German custom duties which affected trade with the United Kingdom in 1935 arose out of the expiration of the Franco-German Commercial Treaty and the consequent abolition of conventional customs rates contained in the Treaty from which, under most favoured nation clauses, the United Kingdom has also benefited. The autonomous rates were in many cases prohibitive. In December, 1935, a rearrangement of the customs schedule for silk and rayon piece goods and lace was put into operation which brought a slight modification of the high rates.

CHAPTER XXIII.

New Plan for Imports; Subsidy Schemes for Exports; Export Credit Insurance.

The New Plan for Imports.—The system of foreign exchange control in force from 1931 to September, 1934, was one under which German importers were given a foreign exchange allotment in proportion to their pre-1931 business. Within this allotment they could pay for imports in their own line of business. This system broke down completely in June, 1934, when the quota granted to importers had been progressively reduced between February and May from 50 per cent. to 5 per cent. of the original figure, and finally to a day to day allotment based on the Reichsbank's intake of foreign exchange. Orders could not be cancelled as quickly as facilities for payment were restricted and deliveries were made and accepted with no means of payment assured. Outstanding commercial debts rose rapidly during the summer of 1934, and in certain cases foreign suppliers combined in a refusal to deliver further goods until their outstanding debts had been paid.

In September, 1934, Dr. Schacht, German Acting-Minister for Economic Affairs, announced his "New Plan" which abolished the system of foreign exchange *allotment* and substituted for it a system whereby a foreign exchange *certificate* had to be issued for each individual import transaction before the binding order was given and before the goods were imported. The system of an import trade limited only by general foreign exchange permits, customs tariff, and some licence regulations was supplanted by a comprehensive import control system administered by the Government.

Control is in the hands of twenty-seven centralised Control Boards each of which is responsible for certain groups of goods. Twenty-two of the Control Boards have their offices in Berlin, two (cotton

and tobacco) in Bremen and one (furs and skins) in Liepzig. For the purpose of this control, imports are grouped as follows :—

1. Grain, fodder and other agricultural products.
2. Animals and animal products.
3. Milk products, oils and fats.
4. Eggs.
5. Timber.
6. Garden produce, beverages and foodstuffs.
7. Wool and other animal hair.
8. Cotton.
9. Cotton yarns and fabrics.
- 10.A Silk, rayon and artificial wool.
- 10.B Clothing, etc.
11. Bast fibres.
12. Base metals.
13. Iron and steel.
14. Industrial oils and fats.
15. Leather.
16. Rubber and asbestos.
17. Soot.
18. Mineral oil.
19. Chemicals.
20. Tobacco.
21. Coal and salt.
22. Skins and furs.
23. Paper.
24. Technical products.
25. Miscellaneous goods.
26. Precious metals.

It is a cardinal principle of the new scheme that foreign exchange certificates authorising payment for imports should only be issued when the necessary foreign currency is actually in possession of the Reichsbank or will be in its possession at due date of payment. In controlling imports by foreign exchange certificate, Control Boards take into consideration the prices of the proposed imports and other selling terms. It became the practice in Anglo-German trade for United Kingdom firms to submit pro-forma invoices setting out prices and terms and for the German prospective importer to send in this pro-forma invoice with his application for a foreign exchange certificate. Until a certificate was issued the business could only be regarded as provisional, and in accordance with the wishes of the promoters of the plan it soon came to be accepted by United Kingdom exporters that goods should not be shipped to Germany until it was reported that a foreign exchange certificate authorising payment at the proper time had actually been issued to the German customer.

When payment of an account became due importers were granted foreign exchange by the Reichsbank up to the amount of the foreign exchange certificate on proving by means of a customs clearing certificate, that the goods had been actually imported. A cheque could then be sent to the foreign exporter in the usual way.

The object of the Schacht Plan was to safeguard Germany's foreign exchange position by exercising control over payments for

imports. Large numbers of officials are employed to administer the scheme, and much extra work and expense falls upon importing firms. The centralization of the Control Boards, mainly in Berlin, entails for many firms in the provinces frequent journeys to the Capital in the endeavour to expedite applications by personal interviews, and for large firms the employment of extra personnel to deal with applications to the different Control Boards.

In addition to this close supervision of the German import trade as far as cash transactions are concerned, the Central Foreign Exchange Office of the Ministry of Economics, local Exchange Offices and Control Boards have the general management of barter transactions and commercial exchanges under the Clearing Agreements. Barter transactions, compensation deals and imports under Clearing Agreements are subject to sanction as in the case of imports for cash. At first there was a certain latitude allowed to such transactions, because they did not imply the necessity for Germany to furnish foreign exchange in payment of imports, but gradually so much trade was driven to these channels and net results were found to be unsatisfactory to the national economy in so many cases that the tendency has been to tighten up the regulations. Foreign exchange certificates must be obtained for imports from countries with which Clearing Agreements have been made in the same way as if payment were to be made in cash.

Subsidy Schemes for Exports.—For the past few years Germany has had to give special assistance to her exporters to enable them to compete on the world market. This assistance has been given in various ways, some of them very ingenious. Several methods depended on making use in Germany's favour of the prohibition under the foreign exchange regulations of the repayment of capital sums due to foreigners and, later, the complete moratorium for interest payments. These measures naturally depressed the prices of all German securities and property rights held by foreigners abroad. But the securities remained at full, or, at any rate, greater value to residents in Germany who could receive payment of the whole interest and prices quoted in Germany were accordingly much higher than abroad. German firms wishing to sell goods on the world market, but finding it impossible to do so owing to lower prices of competing foreign firms, could, with the permission of the foreign exchange authorities, purchase German bonds or shares with foreign Exchange at the depreciated foreign market figure, repatriate them, and sell them at a profit on the home market, the profit being used to compensate the German firm for loss on the export transaction. Similarly use was made of the bank accounts of foreigners which were blocked by the moratorium of 1931 and of other untransferable amounts which were paid into blocked accounts. These accounts could be bought up by German concerns—some were established for the purpose—at a heavy discount. The profit made on such transactions, which could only be

carried out with the permission of the foreign exchange authorities, had to be devoted to the subsidy of exports.

Under the German Moratorium Law of June, 1933, regular payments on long and medium term loans, mortgages, investments, etc., due from German nationals to foreigners had to be made in Reichsmarks into a "Conversion Office". Out of this Reichsmark fund up to the end of 1933 half the amount owed was transferred to the foreign creditor in his own currency; for the other half he was given "Scrip certificates". From the 1st January, 1934, to June, 1934, the proportions were 30 per cent. in foreign currency and 70 per cent. scrip certificates. The scrip certificates were re-purchased abroad by Bank Agents of the German Gold Discount Bank at half their face value. The profit made on these transactions was used to subsidise exports which, but for a subsidy, could not compete with foreign goods on the world market. The manner in which subsidies were paid to German exporters was fully described in the previous (1934) report in this series. In June, 1934, a complete moratorium for interest and similar payments was declared, and the flow of income into the Gold Discount Bank from the issue and re-purchase of scrips stopped. Income to the Gold Discount Bank from the sale by foreigners of their blocked accounts at a discount also declined, since of course there were no, or very few, new blocked accounts to take the place of the original blocked accounts after the latter had been realised.

As it was clear that Germany with high inland prices, rising costs of production, and the Reichsmark nominally on the Gold Standard, could not compete in price with other nations on the world market, and as the sources from which the subsidies described above gradually dried up, other means had to be found in order to assist exports. Through the agency of subordinate sections of the Estate of Industry and Trade (see Chapter 15) a levy was made on all industrial enterprises in order to form a subsidy pool centralized on the Gold Discount Bank for the assistance of exports. This was, indeed, only an extension of the system which already existed in certain important German Industries, e.g., coal, iron and steel, glass, cement and motor vehicles.

Particulars of the scheme have not been published. Contributions to the fund may not be inserted separately in balance sheets, and no information regarding the amount by which a given export transaction is assisted may be communicated to the foreign customer.

Officially in Germany the scheme is stated to be one of self-help on the part of German industry itself, the Corporate Organisation of Industry and Trade and not the Government, being responsible for it. Shortly after the promulgation of the scheme the following law was published (Reichsgesetzblatt 29th June, 1935).

"The Reich Chamber of Economy can promulgate orders for the levy and expenditure of proportioned imposts by groups or associations (of entrepreneurs and enterprises of industry) in

their capacity as organs of self-administration, and for the collection and exaction of such imposts by Chambers of Industry and Commerce, Chambers of Handicrafts or other public associations, recognised by law, of entrepreneurs and enterprises of industry."

The amount by which total German exports were subsidised in 1935 is a matter for conjecture. Not every German export was in need of financial assistance—e.g., where Germany had such a monopoly that the foreigner had no choice but to pay the German price, or where it was a case of a patented article which could only be obtained from Germany—but a large percentage of German exports required substantial subsidy to be saleable, and the overall average rate of subsidy in 1935 may have amounted to something like 25 per cent. The amount of subsidy paid in 1935 on export transactions apparently varied from time to time, from country to country and from commodity to commodity. The general principle governing the administration of the export subsidy scheme can be deduced from the declaration of a high official of the Gold Discount Bank and Ministry of Economic Affairs at Leipzig in September, 1935, that

"our task is to see that in the unfavourable circumstances at present obtaining, we sell to foreign countries at least as much as is necessary to finance the foreign purchases which we must make in order to maintain our own industry in operation."

Export Credit Insurance.—The Herme Credit insurance concern, which in the past has received financial assistance from the Government, announced in December, 1935, that as a result of favourable economic developments in various foreign countries, it had been decided to raise the percentage of cover on export credit insurance. The increasing exchange of goods between Germany and certain countries, particularly South and Central America, is to be promoted by these means. For most countries the cover has been raised from 50 per cent. or 60 per cent. to 66 per cent. of the invoice value.

CHAPTER XXIV.

Imports and Exports by Commodities.

Imports.—The policy of restricting imports of manufactured goods in favour of raw materials and semi manufactured goods was continued in 1934 and 1935. The New Plan had the effect of further discouraging imports of finished goods and these were reduced from RM.750,486,000 in 1934 to RM.564,821,000

in 1935. Even of this latter figure the main items are for semi-finished goods such as yarns, leather, chemicals, iron bars and sections for further processing in Germany. The total for food-stuffs and beverages declined slightly both in value and volume; but imports of wheat declined sharply from RM.60,919,000 to RM.14,715,000. Raw materials, although less in value, increased in volume. The principal increases between 1934 and 1935 are shown in the imports of the following raw materials:—

	1934.	1935.
	(R.M. million.)	
<i>Increases—</i>		
Iron ore	88	123
Timber	134	150
Raw cotton	260	330
Mineral oil	136	165
<i>Decreases—</i>		
Raw wool	322	248
Skins for furs	53·5	46·5
Oil seeds and fruits	219	155

Manufactured goods, which in 1934 were 17 per cent. of total imports, amounted in 1935 to only 13½ per cent. of the total.

Wheat.—Imports of wheat were severely reduced; Canada and the Argentine have lost trade heavily to domestic production and European suppliers:—

Wheat Imports.

	1933.	1934.	1935.
	Tons.		
<i>(a) By volume and value—</i>			
Volume	770,342	646,961	158,892
(R.M. million.)			
Value	71·8	60·9	14·7
	1933.	1934.	1935.
	Tons.		
<i>(b) By countries of origin—...</i>			
France	Nil	14,117	36,574
Turkey	Nil	13,772	34,178
Yugo-Slavia	Nil	12,690	21,190
Canada	616,335	433,933	8,617
Argentina	74,238	46,391	18,563
Soviet Union	18,070	35,782	10,757
Danzig	32,802	48,879	322

Cotton.—The recent changes in the sources of supply of Germany's main imports caused by the disparity of international trade balances and by foreign exchange restrictions in the world in general are notable. Probably the most remarkable is that affecting imports from the U.S.A. In 1933 the U.S.A. supplied three-quarters of Germany's imports of cotton; in 1935 it supplied only one quarter. In 1935 Brazil, Argentina and Peru provided

Germany with 40 per cent. of her cotton requirements, although only two years previously they had been of only minor importance as cotton suppliers.

Germany's trade balance with the U.S.A. was traditionally and normally a passive one, and large amounts of foreign currency would have been necessary to pay for her imports from that country. Foreign currency being available in ever smaller quantities, Germany bought as much as possible of her cotton from countries where she had an active balance, such as some of the Latin American countries.

Germany paid the same amount of Reichsmarks for cotton in 1933 and in 1935, but got 25 per cent. less cotton in 1935 than in 1933. The increased cost was partly due to higher *world* prices, but chiefly to higher *German* prices resulting from trade by barter and payment by compensatory schemes or clearing accounts. This is clearly shown by the fact that, while the price of cotton per 100 kgs. which Germany bought from the U.S.A. in the usual way rose from RM.70 in 1933 to RM.100 in 1935, the price of cotton imported from Brazil in 1935 and paid for by means of barter, compensation or clearing marks averaged RM.111. As there was practically no import of cotton from Brazil in 1933 no comparative figure for Brazilian cotton is available, but the price of Argentinian cotton in that year was RM.75, which was regarded as a very good price for South American cotton.

In the past two years Turkey has developed into an important supplier of cotton to the German market, foreign exchange conditions and trade balance circumstances having favoured German purchases. Imports from Egypt were maintained largely by means of barter transactions, but were also favoured towards the end of 1935 by the rush of orders due to fear of an outbreak of hostilities in the Mediterranean which might cut off Egyptian supplies.

The following table shows German imports of raw cotton, excluding transit trade, during the past three years, and the supplying countries :—

	1933.	1934.	1935.
	(In R.M. million.)		
Total imports in value	293	231	293
	(In metric tons.)		
Total imports in bulk	416,600	316,900	310,000
Of these figures—			
From old supplying countries—			
U.S.A.	313,100	189,800	74,900
India	35,700	34,800	27,900
Egypt	39,000	44,200	39,300
From new supplying countries—			
Brazil	—	8,300	82,400
Peru	9,700	11,300	25,200
Argentina	5,300	5,600	14,400
Turkey	600	5,700	15,200

To meet the extensive German demand, numbers of coffee planters in Brazil are reported to have switched over to cotton, and the Argentine is reported to have increased its cotton plantations in 1935 by one-third.

Wool.—Germany's import of raw wool declined in volume from 180,143 tons in 1934 to 156,284 tons and in value from R.M.322,626,000 to R.M.248,064,000. As Germany's trade balance with Australia and New Zealand was passive her purchases of wool were mainly carried out with these countries by means of barter transactions, and a heavy fall in trade resulted. After making an agreement with the Union of South Africa and the Argentine, increased imports were received from these countries. The conclusion of the Anglo-German Payments Agreement was followed by a rush to the English wool market, and greatly increased quantities of raw wool, washed wool and tops were imported from the United Kingdom early in 1935. From March onwards the price of wool steadily rose to about 30 per cent. from the low point in February, 1935. The 1935-36 wool season started in September with a still higher price basis. Germany again could only buy small quantities from Australia. By virtue of her agreement with South Africa she bought more from that country. Imports from Uruguay declined, because although the agreement was continued, Germany had no longer such large frozen credits in that country.

The following table gives Germany's main suppliers of raw wool in the years 1933, 1934 and 1935.

Wool Imports.

	1933.		1934.		1935.	
	Tons.	R.M. million.	Tons.	R.M. million.	Tons.	R.M. million.
<i>From—</i>						
Australia	63,103	89·3	45,148	92·6	16,698	28·4
Argentina	20,786	19·5	21,374	29·5	28,128	31·7
New Zealand	21,300	22·5	19,924	32·8	2,472	3·1
South Africa	25,252	26·5	20,576	34·7	33,515	39·2
United Kingdom... ..	13,770	22·4	10,433	21·8	20,170	47·2
Uruguay	11,709	12·8	10,469	17·8	7,893	10·7
France	13,385	32·0	8,430	21·4	6,640	17·5

Flax, Jute and Hemp.—Imports of flax (including tow) dropped from 30,900 tons in 1934 to 20,300 tons in 1935, but the total value only declined from R.M.16·6 million to R.M.15·6 million. Although the total imports in bulk of flax, jute and hemp advanced only slightly from 225,621 tons to 243,940 tons, the values rose from R.M.69·7 million to R.M.86 million.

Timber imports and Wood for Cellulose increased in bulk and value, the major supplying countries—Czechoslovakia, Sweden, Finland, U.S.S.R. and French West Africa—all sharing in the increase.

Yarns.—In 1933 the United Kingdom supplied Germany with well over half the total of her cotton and woollen yarn imports. In 1934, however, the United Kingdom contribution to the German Market was seriously reduced owing largely to the refusal of spinners to continue sending yarns to Germany when their customers were not being granted foreign currency to pay for them. In 1935 the United Kingdom regained its position. The following table shows the main suppliers of Germany's yarns in 1933, 1934 and 1935:—

	1933.	1934.	1935.
	Tons.	Tons.	Tons.
<i>Yarns—</i>			
<i>Cotton—</i>			
Total imports... ..	15,168	18,642	23,481
Of which from—			
United Kingdom	11,806	7,047	12,726
Switzerland	1,300	4,350	3,721
France	1,174	1,408	1,659
Czechoslovakia	559	1,801	1,125
Belgium	152	752	683
Austria	554	892	219
<i>Woollen—</i>			
Total imports	10,335	8,856	9,481
Of which from—			
United Kingdom	5,558	4,186	5,907
Switzerland	259	156	2,268
Czechoslovakia	2,167	2,686	1,570
Belgium	829	881	689
France	1,168	581	518
Austria	233	205	193
<i>Flax, Hemp and Jute—</i>			
Total imports	16,347	23,758	21,701
Of which from—			
India	8,830	8,265	10,678
Czechoslovakia	3,094	6,189	3,205
Belgium	954	2,878	2,010
France	823	1,362	1,859
Hungary	183	528	990
United Kingdom	626	673	958
U.S.S.R.	796	2,226	601
<i>Rayon and floss silk—</i>			
Total imports	11,826	11,837	8,304
Of which from—			
Italy	4,520	4,249	3,060
Switzerland	1,438	1,931	1,500
Netherlands	1,662	1,668	1,360
France	1,975	1,483	878
Belgium	1,145	1,102	644
Czechoslovakia	650	1,011	405

Mineral Oil.—Germany's increased requirements of mineral oil are indicated in the following import figures. Imports from Roumania and the United Kingdom increased considerably in 1935; imports from Iran were heavily reduced.

	1933.	1934.	1935.
	Tons.	Tons.	Tons.
Total imports	2,647,453	3,094,181	3,766,865
<i>Received mainly from—</i>			
Roumania	181,776	243,461	673,436
U.S.A.	456,564	418,456	661,406
Soviet Union	423,259	391,706	401,496
Iran... ..	158,527	233,722	52,931
Mexico	281,266	251,707	296,494
Other parts of America ...	956,848	1,260,179	1,322,145
United Kingdom	8,585	38,456	134,716

Raw Rubber.—Imports of raw rubber which increased in 1934 were maintained in 1935, the figures being:—

1933	60,494 tons, value RM. 25 million.
1934	72,235 tons, value RM. 42 million.
1935	73,574 tons, value RM. 45.5 million.

The main supplying countries were British Malaya, and the Dutch East Indies. Imports from India declined in bulk but not so much in value.

Exports.

Foodstuffs and Beverages.—In 1934 German exports in this group were adversely affected by the poor domestic harvests, and in 1935 declined still further. The total exports in this group declined from RM.117 million in 1934 to RM.75 million in 1935.

Raw Materials and Semi-Manufactures.—In 1934 exports of purely German products such as iron and potash increased compared with 1933.

Exports of iron ore after an increase in 1934, dropped from 80,804 tons in 1934 to 18,319 tons in 1935. Basic slag increased from 4,186 tons in 1934 to 25,468 tons in 1935 and other chemical raw material and semi-manufactures show substantial increases.

In view of the internal economic situation, a decree was issued in November, 1935, forbidding the export of many kinds of raw materials and semi-manufactures except under licence. The chief classes of goods subject to the decree are:—oil seeds, potatoes, textile raw materials, waste and semi-manufactures; tanning

materials, resin, rubber, bacon, animal fats, butter, wool, hides and skins, vegetable fats, margarine, tallow, fish oil, graphite, asbestos, bauxite, ores and mineral oil, glycerine, pig iron, iron bars, semis, sections, hoop iron, plates, wire, permanent way material, aluminium, zinc, tin, nickel and non-ferrous alloys.

Manufactured Goods.—In 1934 exports of manufactured goods declined in value by nearly 12 per cent. on 1933 figures, though they increased in volume by about 7½ per cent. The 1935 exports were about 5 per cent. higher in value than in 1934, but in volume they were over 22 per cent. higher. Exports of finished goods in 1935 were 32 per cent. greater in volume than in 1933 but owing to a fall in export prices 10 per cent. less in value was received or credited, the actual figures being:—

					<i>Tons.</i>	<i>R.M. million.</i>
1933	...	...	...	...	4,214,101	3,787
1934	...	...	...	...	4,528,180	3,255
1935	...	...	...	...	5,557,668	3,418

Exports of manufactured goods have substantially increased in the past three years. The only declines of note were in woollen fabrics, clothing and underclothing, wood-wares and machine tools. Important advances were made in rolling mill products, railway permanent way material, locomotives, water-craft, clocks and watches, musical instruments, chemicals and glass wares, and as will be seen from Appendix XI the great majority of branches showed increased exports in bulk if not in value.

CHAPTER XXV.

Imports and Exports by countries.

For years past Germany has normally had an export surplus with Europe as a whole, but an import surplus with countries overseas. The following tables show the participation of Europe and Overseas countries in Germany's imports and exports.

	<i>Imports.</i>			<i>Exports.</i>		
	1933.	1934.	1935.	1933.	1934.	1935.
	<i>(Percentage.)</i>					
Europe ...	54·3	57·5	59·4	78·0	76·5	71·6
Overseas...	45·5	42·2	40·3	22·0	23·4	28·3
Including—						
America ...	23·9	20·6	20·4	11·6	10·8	13·8
Asia ...	12·7	12·5	12·6	7·6	9·4	10·9
Africa ...	5·8	5·8	6·2	2·2	2·6	2·9
Australia ...	3·1	3·3	1·0	0·5	0·6	0·7

Europe.—The 1935 figure shows that Germany imported more from countries in South Eastern Europe and that her exports to these countries also increased. This increase of trade was mainly due to Clearing and compensation transactions, which led to higher German exports via untransferable credit balances on Clearing Account of the various exporting countries.

Bulgaria.—Bulgaria in 1935 took twice the amount of German goods compared with 1934, the figures being RM.39.9 million against RM.19.3 million. Germany has now first place in Bulgaria's foreign trade both for imports and exports. As in previous years, Germany had heavy import surpluses in 1934 and 1935. Both countries have had a Clearing Agreement since 1932, and both countries have foreign exchange restrictions. There is, therefore, no way for Bulgaria to obtain payment other than to import more German goods.

Germany's trade with Bulgaria in the past four years is shown below:—

	1932.	1933.	1934.	1935.
	(In R.M. million.)			
Imports	34.5	31.3	33.7	41.4
Exports	20.8	17.7	19.3	39.9

Turkey.—Turkey is another instance where Germany has increased exports by buying more raw materials and/or transferring purchases which were previously made elsewhere. In the ten years 1923 to 1932 Germany purchased only an average of 12 per cent. in value of Turkey's exports per annum, in 1933 the percentage rose to 19 per cent. In 1934 and 1935 the increase was remarkable. In 1934 with the total Turkish exports remaining at the previous year's level, Germany's percentage was about doubled, viz., 37.3 per cent.

In the past three years German trade with Turkey has been as follows:—

	1933.	1934.	1935.
	(In R.M. million.)		
Imports from Turkey... ..	37.9	67.5	93.4
Exports to Turkey	36.3	50.9	67.3

Turkey has therefore large credits locked up in Germany for goods delivered. With part of these blocked marks Turkey paid off debts in Germany, e.g., to German contractors who had already carried out work in Turkey, but she can only realise most of what is due to her exporters by importing still more German goods. The item of greatest increase in Germany's purchases from Turkey in the past two years was raw cotton.

Yugoslavia.—The same tendency is patent in the case of Yugoslavia :—

	1933.	1934.	1935.
	(In RM. million.)		
German imports from Yugoslavia ...	33.5	36.3	61.4
German exports to Yugoslavia ...	33.8	31.5	36.9

Increased imports to Germany from Yugoslavia in 1935 consisted solely of foodstuffs and raw materials. Imports of manufactured goods from Yugoslavia declined in value from RM.967,000 to RM.753,000. In order to reduce the amount standing to Yugoslavia's credit, Messrs. Krupp were given the contract for the renovation of the rolling mills at Zenitza in Bosnia early in 1936.

Roumania.—Germany imported more raw materials from Roumania in 1935, the main item being mineral oils which increased from RM.13.6 million in 1934 to RM.37.3 million in 1935. Imports of foodstuffs and manufactured articles from Roumania declined.

Greece.—Germany's purchases from Greece for the past year or two so outstripped her sales to that country that the Clearing Account at the beginning of 1936 showed a Greek credit amounting to some RM.32 million. In order to assist in clearing this large amount and in obtaining payment for exports, the Greek Government was reported to have taken up a loan from the Bank of Greece amounting to RM.15 million, as well as a State Railway Loan amounting to RM.5 million. This money is to be advanced to Greek firms to enable them to make purchases from Germany. The Greek Government were also to advance RM.17 million to Greek exporters to Germany, who were unable to wait longer for payment of their accounts through the Clearing Agreement. German purchases of foodstuffs and raw materials from Greece are stated to have been exceptionally high during the past few months.

The foreign trade figures with Greece for the past three years are as follows :—

	1933.	1934.	1935.
	(In RM. million.)		
German imports from Greece ...	53.4	55.3	58.5
German exports to Greece ...	18.7	29.3	49.1

West and North West Europe.—Trade with countries in the West and North West of Europe has not followed the same development as in the South East. Germany's exports increased slightly to Sweden, but declined to all other North European countries. (See Appendix XII.)

The Netherlands.—The Netherlands are still the best market for German goods, but even with the Netherlands, trade has been accompanied by many difficulties, and Commercial and Clearing Agreements have had to undergo constant amendment. Both

countries regulated the flow of trade by quotas in respect of certain goods. Some years ago in order to protect German agricultural prices, the German Government only allowed the import of specified agricultural products from the Netherlands at minimum prices, fixed so as not to compete with the domestic product. This was a remarkable reversal of ordinary economic process and one which did not survive the pressure of events in 1935. Germany then desired to obtain her imports as cheaply as possible and to protect home prices where necessary by customs duties or measures other than high import prices. On the other hand the Netherlands had on occasion to limit exports to Germany, in order that Germany's export surplus to the Netherlands should be large enough to pay outstanding debts, financial as well as commercial. In the past three years foreign trade figures have been as follows :—

	1933.	1934.	1935.
	(RM. million.)		
German imports from the Netherlands	232·0	264·1	196·1
German exports to the Netherlands...	612·8	481·8	404·2

Belgium.—As the Clearing Agreement with Belgium did not give satisfaction, a Payments Agreement on the lines of the Anglo-German Payments Agreement but including some refinements calculated to facilitate administrative operation, was concluded and came into force on the 1st August, 1935. Trade with Belgium has declined :—

	1933.	1934.	1935.
	(RM. million.)		
Imports from Belgium and Luxemburg	138·8	161·0	126·2
Exports to Belgium and Luxemburg	278·1	235·9	201·8

France.—Trade with France declined steadily in the past three years. This development has been the subject of treaties, notes, clearing agreements and standing commissions for regulating imports from France into Germany—but none of these arrangements worked satisfactorily, and the basic Clearing Agreement was terminated on the 1st August, 1935. After that date the Clearing Accounts were put in process of liquidation.

	1933.	1934.	1935.
	(RM. million.)		
Imports from France	184·0	176·9	154·2
Exports to France	395·0	281·7	252·8

U.S.S.R.—The following figures show the remarkable development of Russo-German trade in the past few years :—

	1931.	1932.	1933.	1934.	1935.
	(RM. million.)				
German exports to U.S.S.R....	762·7	625·8	282·2	63·3	39·3
German imports from U.S.S.R.	303·5	270·9	194·1	209·7	215·0

The exceptionally high export figures of 1931 and 1932 were due to special credits granted on U.S.S.R. trade and to large deliveries on long term contracts of all kinds of machinery, machine tools and iron goods. The subsequent steady flow of Soviet exports to Germany was of course partly due to the repayment of these credits. Early in 1935 a credit of RM.200 million for "additional" Soviet purchases was granted but not used till late in the year.

At the end of 1935 the Soviet Union's outstanding commercial debt to Germany had been reduced to RM.60 million. Negotiations for further German credits to the U.S.S.R. were then taking place.

Tables of German-Soviet imports and exports are contained in Appendices XVI and XVII.

Central and South America.—Owing to Germany having import surpluses with most South American countries, steps were taken with the assistance of Clearing Agreements, barter transactions, etc., to increase exports as well as to find new sources of supply of raw materials to take the place of those from countries which demanded cash for their goods. A German Commercial Mission visited South America towards the end of 1934 and agreements were made with several South American countries. Germany had large frozen credits in Brazil which were liquidated by means of heavier purchases of raw materials. As related in Chapter 24, Germany turned to Brazil for the raw cotton she no longer bought from the U.S.A. Similar developments took place in connection with Germany's trade with Chile and Peru. The greatest changes in the past three years were with Brazil, Chile, Mexico and Peru.

	<i>Imports from</i>			<i>Exports to</i>		
	1933.	1934.	1935.	1933.	1934.	1935.
	<i>(RM. million.)</i>			<i>(RM. million.)</i>		
Brazil	68·7	77·2	176·9	76·5	74·5	118·6
Chile	20·0	36·4	52·3	8·1	11·8	32·1
Mexico	20·1	24·1	38·1	27·1	25·3	34·0
Peru	17·6	19·4	35·6	6·0	7·8	17·6

Trade with the Argentine was maintained approximately at its old level, although wheat imports from the Argentine declined heavily.

U.S.A.—In recent years German trade with the U.S.A. has always shown a heavy balance in favour of the U.S.A. which were Germany's chief source of supply for raw cotton. Large quantities of foodstuffs particularly fruit and lard, were also exported to Germany. As Germany's trade became more and more confined to bilateral channels it was correspondingly difficult for Germany to find free exchange for the payment of imports from the U.S.A. Germany saw no alternative to cutting down these imports. As a large financial creditor with an export surplus, the U.S.A. were not so favourably placed to apply pressure as countries which had effective argument in the threat of a Clearing Office.

Not only therefore were German imports from America heavily reduced, but the full effects of the German interest moratorium had to be endured by American holders of all German securities. As a measure of retaliation for what was declared to be undue discrimination against American trade, the U.S.A. withdrew most-favoured-nation treatment from German imports in October, 1935. In spite of this, however, German exports to the U.S.A. increased both in volume and in value compared with the low point of 1934. The following tables show (a) total trade exchanges, 1933-5, and (b) the most important changes in Germany's imports from the U.S.A. between 1933 and 1935.

(a)

	1933.	1934.	1935.
	(RM. million.)		
Imports from U.S.A.	482.8	372.7	240.7
Exports to U.S.A.	245.9	157.8	169.5

(b)

	1933.	1935.
	(RM. million.)	
Fruit	38	13
Lard	34	1
Cotton	223	71
Mineral oils	34	42
Copper	14	14
Mineral phosphate	5.5	7.0
Various ores	5.5	8.7

Trade with the British Empire.—Trade with the British Empire (exclusive of the United Kingdom) as will be seen from Appendix XV was well maintained except with Canada, Australia and New Zealand. These three Dominions which, as large raw material producing countries had always had active balances on their German trade, suddenly found that their exports to Germany were being drastically cut down; *Canada's* trade balance with Germany actually became a passive one in 1935, when Germany sold to Canada goods for nearly twice the value of Canada's exports to Germany. In 1933 Germany's imports of wheat from Canada amounted to RM.55½ million, and in 1934 to RM.37½ million; in 1935 Germany imported practically no wheat at all from Canada.

Australia.—A similar process was observable in the case of Australia. It was indicated to the Australian Authorities that, unless Australia bought more from Germany, German imports from Australia must be severely curtailed. They were in fact cut down in value from RM.105 million in 1934 to RM.35 million in 1935. In 1934 Germany bought raw wool from Australia for RM.92.6 million, in 1935 for RM.28 million. Negotiations which were entered into for a trade agreement in 1935 had not been concluded at the end of the year.

New Zealand.—New Zealand in 1933 sold raw wool to Germany amounting to RM.23 million, in 1934 to RM. 32.8 million, in 1935 to RM.3 million only. In 1935 Germany's imports from

New Zealand amounted to RM.4.3 million as against RM.35.6 million in the previous year.

India and British South Africa.—India and British South Africa were able to maintain their trade. This was achieved, in the case of the former, largely through barter and compensatory business and in the case of the latter by barter arrangements whereby Germany bought certain quantities of wool on the South African Market against deliveries of German products. A similar arrangement has been made for 1936. South Africa increased her exports to Germany from RM.60 to 68 million while German exports to South Africa show a slight decline.

Germany's trade with India and British South Africa was as follows :—

	1933.	1934.	1935.
	(RM. million.)		
<i>India—</i>			
Imports from	153.9	134.7	121.3
Exports to	86.8	94.4	111.3
<i>British South Africa—</i>			
Imports from	52.4	60.6	68.4
Exports to	40.2	45.8	42.2

CHAPTER XXVI.

Anglo-German Trade; Anglo-German Payments Agreement.

Anglo-German Trade.—Anglo-German trade in the past three years is shown by the following table :—

German Imports from the United Kingdom.

	1933.		1934.		1935.	
	Volume.	Value.	Volume.	Value.	Volume.	Value.
	Tons.	RM. million.	Tons.	RM. million.	Tons.	RM. million.
Foodstuffs and beverages	77,210	19.7	70,180	15.7	88,748	18.0
Raw materials and semi-manufactures	2,512,451	116.1	3,008,710	110.4	3,629,445	150.3
Finished goods	47,068	102.5	33,474	79.5	42,117	87.8
Total	2,636,734	238.4	3,112,373	205.7	3,760,318	256.2

German Exports to the United Kingdom.

	1933.		1934.		1935.	
	Volume.	Value.	Volume.	Value.	Volume.	Value.
	Tons.	RM. million.	Tons.	RM. million.	Tons.	RM. million.
Foodstuffs and beverages...	409,775	30.3	279,000	22.7	43,100	8.6
Raw materials and semi-manufactures	325,674	43.8	352,389	40.1	274,281	35.6
Finished goods	364,126	331.2	438,074	319.9	414,791	330.4
Total	1,099,580	405.5	1,069,466	382.9	732,180	374.8

	1933.	1934.	1935.
	(RM. million.)		
German export surpluses of goods	167.1	177.2	118.6
Imports of gold and silver	8.1	2.6	21.0
Exports of gold and silver	181.6	311.9	13.6

The increase of Germany's imports from the United Kingdom in 1935 was mainly due to raw materials and semi-manufactures. In fact textile raw materials and semi-manufactures and coal make up more than one half of Germany's total imports from the United Kingdom. The value of imports of wool and wool tops rose from R.M. 21.8 million in 1934 to R.M.47.2 million, cotton and cotton waste, etc., from R.M.2.6 million to R.M.7.3 million, copper from R.M.3.8 million to R.M.6.7 million, cotton yarns rose from R.M.18.6 million to R.M.28.6 million. Imports of coal increased from R.M.30.4 million to R.M.34.5 million. Imports of fur skins which in 1933 amounted to R.M.19.6 million, declined from R.M.12.4 million in 1934 to R.M.5.8 million in 1935; imports of animal fats and fish oils declined from R.M.5.8 million to R.M.3.3 million.

Germany's total exports to the United Kingdom declined, but the drop was wholly confined to foodstuffs and raw materials. The main decreases were in wheat, which fell from R.M.4.4 million in 1934 to R.M.18,000 in 1935, oats from R.M.121,000 to nil, flour, grits and milling products from R.M.6.7 million to R.M.1.1 million, and vegetable oils and fats from R.M.1.9 million to R.M.105,000. In previous years wheat and other agricultural products were exported to the United Kingdom with the assistance of import bonds, which formed a subsidy to the exporter, but these facilities have been discontinued. The largest declines in raw material exports were those of seeds from R.M.1.4 million to R.M.0.5 million, of cellulose from R.M.5.5 million to R.M.3.8 million, and of various unclassified raw materials and semi-manufactures from R.M.10.2 million to R.M.6 million.

As between 1934 and 1935 exports of manufactured goods to the United Kingdom advanced from R.M.319.9 million to R.M.330.4 million. Leather goods advanced from R.M.11.7 million to R.M.20.3 million, machine tools from R.M.7.8 million to R.M.8.5 million, motor vehicles, etc., from R.M.237,000 to R.M.1.3 million, watercraft from R.M.1.7 million to R.M.5.8 million, musical instruments from R.M.2.8 million to R.M.4.9 million, toys from R.M.7.5 million to R.M.9.5 million, glass and glass-ware from R.M.15.3 million to R.M.16.4 million. Exports of the following goods declined in value in the same period:—Woollen fabrics from R.M.5.8 million to R.M.4.2 million, cotton fabrics from R.M.12.4 million to R.M.10.6 million, paints, varnishes, etc., from R.M.20 million to R.M. 16.5 million, various chemical and pharmaceutical products from R.M.23.7 million to R.M.20 million, machines from R.M.14.7 million to R.M.12.9 million.

A table showing imports and exports between the United Kingdom and Germany in the past three years is given in Appendices XIII and XIV.

Anglo-German Payments Agreement.—Anglo-German trade in 1935 was much facilitated by the Commercial Payments Agreement arrived at between the two countries on the 1st November, 1934. The state of trade which led up to the conclusion of this Agreement and the working of the Agreement during 1935 are described in the following paragraphs :—

During the first nine months of the year 1934 the German foreign exchange position steadily deteriorated and owing to foreign exchange restrictions in many countries and the existence of compulsory clearing agreements with a number of other countries, Germany's receipts of free foreign currency in payment of her exports declined seriously. There were no restrictions in the transfer of sterling from the United Kingdom, and Germany received unrestricted payment for her exports to the United Kingdom; in spite of the fact that her exports to the United Kingdom were more than maintained, United Kingdom exports to Germany were severely curtailed owing to the quota of foreign exchange allowed to importing firms being cut down in February, 1934, from 50 per cent. of the basic allotment to 45 per cent. in March, to 35 per cent. in April, to 25 per cent. and 10 per cent. in May, and finally to 5 per cent. in June, 1934. The monthly foreign trade figures in 1934 were as follows :—

Anglo-German Trade.

1934.	<i>Germany's exports to United Kingdom.</i>	<i>United Kingdom's exports to Germany.</i>
	<i>(R.M. million.)</i>	
January ...	31·4	20·4
February ...	33·5	21·6
March ...	39·4	23·2
April ...	25·8	20·4
May ...	29·1	19·3
June ...	29·1	19·2
July ...	30·9	14·6
August ...	32·5	12·0
September ...	31·9	12·1
October ...	32·6	10·5
November ...	33·4	13·2
December ...	33·2	18·9

As German firms out of their severely reduced quotas could not even pay for the reduced deliveries which were coming from England, and as in many cases under long term contracts deliveries had to be accepted for months after the curtailment of the quota took place, debts of German firms to United Kingdom firms increased greatly and no information could be obtained as to when the debts would be paid. In an attempt to obtain some satisfaction the Lancashire Cotton Spinners combined and refused to sell to Germany until some reasonable arrangements were made for payment of the outstanding debts. The position was becoming untenable when the announcement was made that transfers of interest in respect of "Dawes and Young" Loan Payments would be suspended on the 1st July, 1934, but that payment would be

made in Reichsmarks. This announcement led to negotiations and the conclusion of the Anglo-German Transfer Agreement as described in Chapter 2 (Finance).

In order to facilitate payment for current deliveries the Anglo-German Exchange Agreement was signed in Berlin on the 10th August, 1934, under which German importing firms could pay in Reichsmarks for purchases of goods from the United Kingdom within the scope of business previously carried on by them, into a Special Account which the Bank of England opened at the Reichsbank. The agreement contained a provision that the acceptance of payments into the Special Account could be suspended by the Reichsbank at any time if the amount standing to the credit of the Special Account exceeded R.M.5 million. The Bank of England disposed of the Reichsmark amounts in the Special Account to United Kingdom importers to enable them to pay for their purchases from Germany. There was no compulsion on the part of the United Kingdom importers of German goods to purchase Reichsmarks from the Bank of England, and indeed they were not purchased in sufficient quantities to keep the credit in the account below R.M.5 million. This limit was soon reached, and large sums were noted for acceptance by the Reichsbank when the account was re-opened from time to time. It soon became clear that, unless the mass of British importers of German goods paid for their purchases in Reichsmarks bought from the Bank of England, the Exchange Agreement would not work satisfactorily. Fresh negotiations were therefore instituted in Berlin and on the 1st November, 1934, the Anglo-German Payments Agreement came into force.

The Agreement provided in Article 1 that the German Government should earmark each month for the payment of United Kingdom exports to Germany an amount of foreign exchange equal to 55 per cent. of the value of German exports to the United Kingdom in the penultimate month, this exchange to be released to German importers holding foreign exchange certificates. German importers must submit applications, supported by a pro forma invoice, to the competent Control Board, which issues foreign exchange certificates on the basis of corresponding imports in 1932 and 1933. Each consignment is accompanied by a certificate of origin issued by a Chamber of Commerce in the United Kingdom or, as has been subsequently arranged, by the Head Office or branches of the Federation of British Industries. On the due date importers must submit the foreign exchange certificate, the certificate of origin and the customs clearance documents, together with the equivalent value in Reichsmarks to the Reichsbank which issues a sterling cheque to settle the account.

It was originally laid down in the Agreement that issues of foreign exchange certificates would be made without restriction, but after two months it was evident that the demand for United Kingdom goods, after the low level of imports up to October, 1934, was far in excess of foreign exchange available. It was therefore

necessary to curtail the issue of foreign exchange certificates for several months, during which time many applications had to be refused by Control Boards. The over-issues of exchange certificates led to a delay in payments at one period of up to six weeks. By August, 1935, the Reichsbank was again in a position to cash certificates on presentation, but restriction had to be continued, although to a much smaller degree, in order to prevent a similar situation arising again.

Certain deductions were to be made from the total value of German exports before the calculation of the 55 per cent. mentioned above, particularly to enable the liquidation of the Reichsmarks in the Special Account at the Bank of England under the Anglo-German Exchange Agreement. Other items for deduction were payments made through Foreigners' Special Accounts (Ausländer-sonderkonten für Inlandszahlungen usually termed "Aski") in operation when the Agreement came into force in respect of compensation business, and also transactions under barter arrangements approved by the German Authorities. Owing to various unsatisfactory features, the barter of United Kingdom and German goods was prohibited in February, 1935. Foreigners' Special Accounts held by United Kingdom firms for direct Anglo-German trade were also closed during the year. The amounts involved in these Accounts and in connection with barter were considerable, and it was not until the end of 1935 that complete liquidation was possible. The deductions necessary for this purpose also caused curtailment in issues of foreign exchange certificates, but from January, 1936, the full 55 per cent. of the value of German exports to the United Kingdom became available for current imports from the United Kingdom.

With a view to safeguarding the interests of the chief classes of United Kingdom imports, viz. coal, herrings, yarns, tissues and textile manufactures, it was arranged that any curtailment in the issue of foreign exchange certificates should not, except with the consent of the United Kingdom Government, lead to a restriction of these imports below the level of corresponding imports in 1932 and 1933. It was, however, found necessary to agree to some restriction on the issue of foreign exchange certificates for particularised goods, although these restrictions were much less severe than for other classes of goods and for the last six months of 1935 have permitted imports virtually up to the 1932-33 level.

The above arrangements refer solely to goods of United Kingdom origin. Article 2 of the Payments Agreement provides that the German Government in allocating foreign exchange, will take no measures to reduce the customary proportions enjoyed by the United Kingdom and the British Colonies in the supply of raw materials and foodstuffs not of United Kingdom origin formerly delivered to Germany. As practically the whole of this trade is done on a barter basis or through Clearing Agreements, the allocation of foreign exchange for colonial goods and re-exports from the United Kingdom has taken place only in exceptional cases.

One of the initial and most important objects of the Anglo-German Payments Agreement was the repayment of about £5,000,000 of debts outstanding in Germany in October, 1934, in respect of the sale of goods. For this purpose the Agreement provided that Germany should, each month, set aside 10 per cent. of the total value of German exports to the United Kingdom. A German Debts Committee was set up in London and all United Kingdom firms with outstanding accounts in Germany were required to submit particulars to the German Claims Sections, Cornwall House, Stamford Street, London, S.E.1, for transmission to the German authorities.

For administrative reasons these outstanding debts were divided into three classes, viz. :

- (1) " A " Debts, e.g. debts due between 1st March and 19th August, 1934.
- (2) " B " Debts, e.g. debts due between 20th August and 31st October, 1934.
- (3) " C " Debts, e.g. debts due before 1st March, 1934.

Payments on the above were made in instalments, and a first distribution of 30 per cent. for " A " debts with a minimum payment of £100 took place in December, 1934, and for " B " debts in February, 1935. The " C " debts, being much older debts, required investigation by the German Authorities, so that the first distribution was made only in June, 1935. Further instalments on all the debts were approved at regular intervals—viz. 20 per cent. in March, 20 per cent. in June, 15 per cent. in August and the final 15 per cent. in October, 1935. By the end of March, 1936, the total amount transferred to United Kingdom creditors under this scheme amounted to £4,970,000.

About £400,000 of the debts reported to the German Claims Section still remain unpaid, but the delay in the repayment of this amount is due either to disputes between creditors and debtors as to the validity of a debt or to the inability of German debtors to provide the necessary Reichsmarks at the moment, both of which are matters which can only be settled between the individual firms.

Article 7 provides that

- (1) the payments of the Dawes and Young Loan coupons should be continued after the 31st December, 1934, and
- (2) as regards other medium and long term obligations the German Government should offer to British holders in respect of interest, dividends and other regularly recurring payments of a similar nature due on or after 1st July, 1934, and up to the 30th June, 1936, Funding Bonds bearing interest at 4 per cent. per annum.

In Article 10 the two Governments agreed to appoint representatives to meet at intervals to consider any difficulties which should arise in the working of the Agreement. Four meetings took place during 1935 and dealt with the allocation of foreign exchange quotas, outstanding debts and various questions to facilitate current trade from the United Kingdom.

The successful operation of the Anglo-German Payments Agreement is clearly indicated by the trend of the graph in Appendix XVIII. United Kingdom exporters are assured of a definite share of German business in proportion to German exports to the United Kingdom; the great majority of outstanding commercial debts have been liquidated and, subject to provisions of the Agreement, payments for current trade are made promptly without further interference from foreign exchange control regulations. As in all planned economy, limitations to the expansion of new business are evident, even if every consideration is given towards adjustments which render the working of the Agreement more adaptable and flexible. Under existing conditions, however, where barter and clearing arrangements, involving cumbersome delays and extraordinary sales and price factors, account for the greater part of foreign trade in this country, it was not astonishing that the German Authorities on several occasions in 1935 stated that the Anglo-German Payments Agreement was the most satisfactory trade arrangement Germany had.

CHAPTER XXVII.

Barter Transactions. Compensation Deals; Bilateral Clearing Agreements.

Barter Transactions and Compensation Deals.—These are transactions either between one German firm and one foreign firm for a direct exchange of goods, or between several German firms and several foreign firms where payments for imports and exports are set off against each other, usually by the German bank entrusted with the accounts of the deal. It was usual before consent was given to such transactions or deals for the Foreign Exchange Authorities to stipulate that the German exports should exceed the imports by a certain percentage and that the excess should accrue to Germany in foreign currency.

In the case of certain essential raw materials the condition that an active balance should accrue to Germany from the deal is waived.

Individual barter and compensation transactions are, generally speaking, only permitted with countries with which Germany has no Clearing Agreement and for raw materials for which she has not the foreign currency to pay, or in cases of additional exports which would not otherwise be sold.

Although it is true that barter transactions have effected certain additional exports for Germany, a number of disadvantages have become evident. Such transactions limit still further the flow of foreign exchange already reduced by the existence of Inter-State

Clearing Agreements and Foreigners Special Accounts. It was also found that many German exports were being included in barter transactions which had previously been sold for ready cash in foreign currency. In a Foreign Exchange Regulation published at the end of December, 1935 (237/35) it was stated that the regulations governing barter and compensation transactions were inadequate, inasmuch as the import of non-essential goods had been facilitated and normal exports which should have earned foreign currency had been used in compensatory deals. It was also admitted that in many cases the prices of goods imported by these means were higher than of goods bought for cash. The new regulation limited barter and similar transactions to specified vital imports, forbade exports of other raw materials as part of barter transactions to any country in the world, and set out, in a third list, exports which could form part of barter transactions with Central and South American countries.

Even where barter transactions are permissible, it is provided that the ratio in the value of exports to that of imports shall be 3 : 1 in favour of German exports, but this principle is not always adhered to.

In view of the Anglo-German Payments Agreement barter transactions and compensatory deals are no longer permitted with the United Kingdom, but may be arranged with Dominions or Colonies in the Empire with which or in respect of which separate arrangements have not been concluded.

Foreigners Special Accounts (Aski).

These are really private clearing agreements on a smaller scale than State Clearing Agreements. A foreign firm selling goods in Germany is allowed to collect payment in Reichsmarks and pay them into a Special Account at a German Bank for use only in payment of purchases in Germany. These accounts are no longer allowed for trade with the United Kingdom.

Bilateral Clearing Agreements.

At the end of 1935 Germany had concluded Clearing Agreements with the following countries :—

Argentina.	Iran.	Roumania.
Brazil.	Italy.	Soviet Union
Bulgaria.	Yugoslavia.	Spain.
Chile.	Latvia.	Sweden.
Denmark.	Netherlands.	Switzerland.
Estonia.	Norway.	Czechoslovakia.
Finland.	Austria.	Turkey.
France.	Poland.	Hungary.
Greece.	Portugal.	Uruguay.

Under these Agreements payments for imports into Germany are not sent to the exporter abroad but are paid in Reichsmarks into a Special Account of the National Bank of the exporting country

at the Reichsbank at Berlin, or, in certain cases, at some other approved German bank. In the country of the other contracting party a similar method of payment takes place and the credits are set off one against the other. Exporters are paid out in the currency of their own country so long as the country to which they have exported their goods has a credit balance in the Clearing Account. The exporter must look to his own National Bank for payment in his own currency. If his country is exporting more than it is importing from the country to which he has sold his goods, he must wait for payment until the trade balance is adjusted, unless his own government comes to the rescue by advancing the money. (See the case of Greece, Chapter 25.)

Clearing Agreements confine trade to bilateral limits. They were of course only evolved as a means of facilitating foreign trade which was becoming almost impossible by reason of the disordered foreign exchanges throughout the world. Under present conditions they are inevitable, but their effect on trade and the benefit from them varies from country to country. By reason of complete Government control of imports, and effective central influence over exports, Germany has a great advantage over most of her partners in Clearing Agreements. As a country three-quarters of whose imports consist of raw materials, Germany could without strain on her currency or fear of causing unemployment, obtain for a time all the raw materials she needed from Clearing Agreement countries in the knowledge that they could only be paid for from the proceeds of the sales of German manufactured goods. While Germany could realise her credit in the Clearing Account of the Bank of a foreign country by purchasing raw materials for processing in her factories and workshops or even for stock under one of her control offices, foreign countries with credit balances in Germany could not buy raw materials from her, because for some time the movement of important foodstuffs and important raw materials has been under the regulation of controllers, and was later placed under an export embargo. Purchase of manufactured goods was the only means of liquidating the credits arising from sales of these raw materials.

Further, in most countries there is little or no connection between exporters as a class and importers as a class. Exporters are intent on selling their goods and when they do so for payment through the machinery of a State Clearing Agreement they feel that they are doing so under the protection of their national Government, and that they can have recourse to their Government for assistance if there is delay in payment. Sometimes exports to Germany have been restricted and sometimes exporters have been assisted. The Netherlands limited exports to Germany from time to time; Roumania restricted exports to fixed quotas; France stopped exports; Turkey gave large building and engineering contracts to German firms to level up the account; Greece lent money to her own importers to enable them to buy in Germany, had at the same time to advance money to Greek exporters in anticipation of

their receiving payment for sales to Germany, and also gave large Government orders to German firms. Early in March, 1936, there were untransferable Reichsmark credits in Clearing Accounts of foreign States in the Reichsbank, Berlin, estimated at a total in excess of R.M.500 million. The Netherlands balance was reported to be about R.M.100 million, Czechoslovakia R.M.70 million, France R.M.75 million, Greece R.M.32 million, Turkey R.M.14 million, Yugoslavia R.M.32 million.

In some cases these untransferable credits are equal in amount to more than half of Germany's annual exports to those countries.

The only important trading credits which Germany has abroad are apparently in Italy and the Soviet Union, and there are exceptional circumstances in connection with German trade with both of these countries, including a centralisation of control on their part comparable to that in evidence in Germany itself.

CHAPTER XXVIII.

Commercial Treaties and Negotiations January 1st, 1935— March 31st, 1936.

Tables (A), (B) and (C) of Appendix XXI show respectively the Commercial Treaties, Supplements and Protocols concluded and ratified; Clearing Agreements concluded, and Barter Agreements concluded, by Germany in 1935. Table (D) lists the Commercial Treaties between Germany and other countries which lapsed during 1935. Exchange transfer agreements are dealt with in Chapter 3.

In addition, the following commercial treaties were concluded during the first three months of 1936 :—

Czechoslovakia.—A Trade and Clearing Agreement regulating the Exchange of Goods between Germany and Czechoslovakia during 1936 was signed on the 23rd December, 1935, and entered into force on the 1st January, 1936. It is limited to the 31st December, 1936, and is reported to represent, with a few exceptions, a prolongation of the previous agreement.

Ecuador.—A new commercial treaty between Germany and Ecuador, signed on the 17th December, 1935, entered into force on the 1st January, 1936. It provides for the most favourable Ecuador Tariff rates, i.e., 30 per cent. of the general tariff rates, to be applied to German imports into Ecuador and for an unlimited import of Ecuador raw materials into Germany, with the exception of cocoa. Germany grants Ecuador in the treaty certain fixed annual quotas for cocoa and Panama hats. The treaty will remain in force for two years.

Denmark.—The Agreement regarding the Exchange of Goods between Germany and Denmark which had been prolonged to the 31st January, 1936, was replaced by a new agreement which will remain valid until the 31st December, 1936. It is reported to provide for increased imports into Germany of Danish agricultural products in return for German industrial products.

Spain.—An additional Agreement regulating Trade and Commercial Payments was signed at Madrid on the 9th March, 1936; it is in the first place limited to the 31st December, 1936, but provides for indefinite prolongation. The Agreement regulates the exchange of goods between the two countries; a number of quotas are granted by both Governments.

Supplements to existing treaties were concluded by Germany during the first three months of 1936 with the following countries:—

Switzerland.—An Eighth Supplement to the German-Swiss Agreement on the Exchange of Goods of the 5th November, 1932, was signed in Berlin on the 11th February, 1936. It provides for two quotas at reduced duties for silk tissues. On the same date an agreement was concluded prolonging the Conditions applicable for the import of Swiss cheese into Germany.

Belgium.—A Tenth Supplement to the German-Belgian Commercial Agreement of 1925 was signed in Berlin on the 20th December, 1935; it prolongs to the 31st December, 1940, the quota of phosphate manures which Germany granted to Belgium under the Seventh Supplement to the Commercial Agreement.

On the 20th February, 1936, an Eleventh Supplement was signed in Berlin; it deals with certain alterations and increases of Belgian duties.

The provisions of the Eighth Supplement, of the 23rd May, 1935, under which Germany granted Belgium a conventional duty on Indian Azaleas were prolonged to the 28th February, 1937, in an Exchange of Notes dated the 28th February, 1936.

France.—By an Exchange of Notes of the 9th January, 1936, Germany's most-favoured-nation treatment in French Mandated Territories was prolonged by three months until the 20th April, 1936. This right was accorded to her under the Franco-German commercial treaty of the 28th July, 1934, and it was then arranged that in the event of Germany leaving the League of Nations, this right should lapse three months after the date of Germany's withdrawal from the League. It was at the same time arranged that negotiations in respect of the economic relations between Germany and French Mandated Territories should be begun during that period. Both Governments wish to include this subject in the general economic discussions and, pending the opening of negotiations, the above mentioned prolongation has been agreed upon.

Italy.—By an Exchange of Notes of the 20th December, 1935, which entered provisionally into force on the 23rd January, 1936, certain amendments of the German-Italian Clearing Agreement of the 26th September, 1934, were made.

In March, 1936, commercial treaty and clearing negotiations were proceeding between Germany and the following countries :—

Yugoslavia.—Negotiations between Germany and Yugoslavia began in Yugoslavia about the middle of March, 1936, for the purpose of finding ways and means for increasing Yugoslav purchases in Germany and thereby diminishing the balance in Yugoslavia's favour under the clearing.

Brazil.—Brazil denounced on the 1st January, 1936, the German-Brazilian commercial treaty of the 22nd October, 1931, which will accordingly expire on the 31st July, 1936.

A Brazilian delegation arrived in Berlin in March, 1936, in order to negotiate a new commercial treaty with the German Government.

Franco-German Commercial Relations.—The Franco-German Agreement relating to the Exchange of Goods and the Franco-German Clearing Agreement lapsed on the 1st August, 1935. Negotiations for the conclusion of new agreements were still pending at the end of March, 1936, although notes on the subject of future commercial relations had been exchanged between the two Governments. The Franco-German Treaty of Commerce, Settlement and Navigation of the 28th July, 1934, is still in operation ; it is based on most-favoured-nation treatment.

As regards the liquidation of the balances under the Franco-German Clearing, the following procedure was adopted on the 1st August, 1935 :—15·75 per cent. of the proceeds of German imports into France is deducted for the service of the Dawes and Young loans ; of the remainder 70 per cent. is reserved for the payment of debts due prior to the 1st August, 1935 ; the remaining 30 per cent. is used to pay for French exports to Germany. On the 1st August German commercial debts to France amounted to 450 million frs. according to the official record, and on the same basis of computation had been reduced to 190 million frs. on the 1st December, 1935. At the end of February, 1936, French claims under the Clearing had been reduced to 50 million francs.

VI.—TRANSPORT AND COMMUNICATIONS

CHAPTER XXIX.

Corporate Organisation of Transport Enterprise.

Transport formed part of the Estate of Industry and Trade when that body was set up early in 1934, but in view of the fact that about 80 per cent. of all transport enterprises are public property, it was later considered expedient to establish a separate corporative Transport Organisation (*Aufbau des Verkehrs*) under the leadership of the Minister of Transport. The Transport Organisation is, however, connected with the Estate of Trade and Industry through

its representatives in the Reich Economic Chamber and the Economic Boards which are described in Chapter 15.

The first step towards uniformity in the administration of Transport matters was taken by issue of the " Law for simplifying and cheapening Administration ", of the 27th February, 1934, which gave the Minister of Transport supreme authority over all Government transport undertakings, that is to say those administered by the Transport Ministry, the Ministry of Posts and the German Railway Company. The corporative Organisation of Transport decided upon in the Minister of Transport's decree of the 25th September, 1935, which in March, 1936, was still in process of being formed, comprises also all private transport undertakings and those of the States and Municipalities, so that uniform administration of Transport will eventually result.

The supreme body under the Organisation of Transport is—as is shown in the following chart—the Reich Transport Council (Reichsverkehrsrat) which is made up of representatives of (a) concerns responsible for transport (Verkehrsträger), and (b) of transport users (Verkehrsnutzer), as follows :—

ad (a)

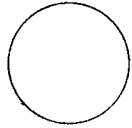
the leaders of the seven Central Transport Groups (private transport undertakings),
 representatives of Transport Undertakings of the Reich (Railway Company, Posts, Air Traffic Concerns),
 the General Inspector of Roads.

ad (b)

two representatives of the Agricultural Estate (appointed by the Reich Farm Leader),
 six representatives of the Estate of Industry and Trade (appointed by the Head of the Reich Economic Chamber),
 one representative of the Chamber of Culture (appointed by the President of the Chamber),
 one representative of the Municipalities (appointed by the Minister of the Interior),
 one representative of the Labour Front (appointed by the Director of the Labour Front).

The Council has been formed for the purpose of assisting and advising the Minister of Transport in all transport matters and of bringing into closer relationship the various branches of transport undertakings and transport users. The Minister of Transport calls the meetings of the Council, at which he presides, and decides on the agenda. He can appoint permanent committees within the Council, or Advisory Committees for certain subjects. The business premises of the Council are at the Ministry of Transport in Berlin.

Regional Sub-division



SCHEMATIC ORGANISATION OF TRANSPORT

Functional Sub-division



MINISTER OF TRANSPORT

Leaders of Central Transport Groups
Government Transport Undertakings
Inspector of Roads

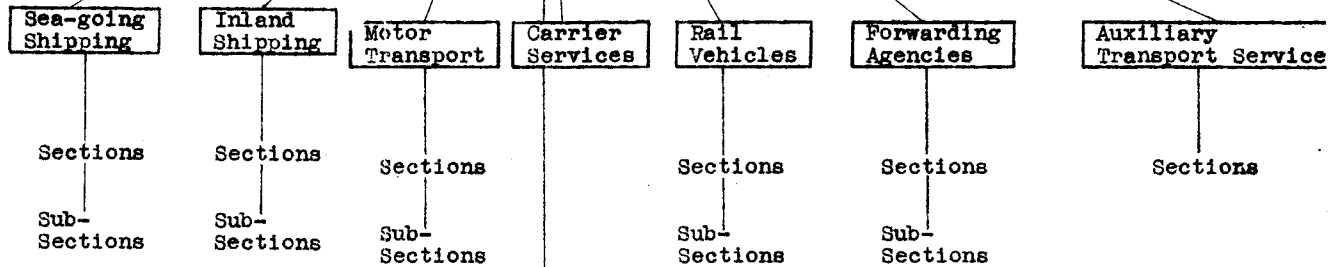
REICH TRANSPORT COUNCIL (Reichsverkehrsrat) comprising Transport Undertakings Users

Agricultural Estate
Estate of Industry and Trade
Labour Front
Chamber of Culture
Municipalities

Central Transport Groups (Reichsverkehrsgruppen)

(Fachgruppen)

(Fachuntergruppen)



Inspector of Roads

STRICT TRANSPORT COUNCIL (zirksverkehrsrat) comprising Transport Users

Agricultural Estate
Estate of Industry and Trade
Labour Front

The decree of the 25th September, 1935, mentioned above, also provides for the formation of District Transport Councils (Bezirksverkehrsrate) to be formed in the same manner as the Reich Transport Council, the Central Transport Groups being, however, represented by the directors of their regional formations. There is to be a Regional Transport Council in each district under the Organisation of Transport, but the districts have not yet been indicated by the Minister.

The functional and regional sub-division of the Organisation affects all transport undertakings, except those administered by the Reich, viz., the Reichsbahn, Posts and inland waterway undertakings of the Reich. There are seven functional Central Transport Groups (Reichsverkehrsgruppen), as follows :—

Sea-going shipping.	Rail vehicles (trams and private railways).
Inland shipping.	Forwarding agencies.
Motor transport.	Auxiliary transport services (tourist agencies, sleeping car companies, etc.).
Carrier services.	

These groups are the former central organisations of the respective types of transport remodelled on the leadership principle. The Minister of Transport appoints the directors, who act in an honorary capacity. Each group also has a Chief Manager. The Central Groups will be sub-divided into Sections (Fachgruppen) and sub-sections (Fachuntergruppen) according to the number of branches existing in each type of transport. The sections and sub-sections which will be formed by the Minister of Transport, will each have a director and a manager, the directors being appointed by those of the superior formation.

Membership to the Central Transport Groups is obligatory for all undertakings engaged in any kind of transport mentioned above.

The Central Transport Groups deal exclusively with matters affecting their particular line of business and do not concern themselves with social questions of any kind. They represent in general the interests of their particular branch of transport and advise their members on trade subjects.

The regional organisation of the seven Central Transport Groups is carried out in such a way that district groups (Bezirksgruppen) and district sub-groups (Bezirksuntergruppen) are formed by each Central Transport Group. These regional groups will in each district be united in the District Transport Council. As stated above, the districts have not yet been indicated by the Minister. In addition combines (Arbeitsgemeinschaften) may be formed locally by separate branches of transport, as for instance by Carriers' and Motor Transport Services. The individual transport undertakings must of course also belong to the Chamber of Commerce of their district.

Advisory Councils are provided for in both the functional and territorial sub-division. One of the duties of these Councils is to act as auditors, but they must also be consulted before the budget

of the group, or section, is drawn up, before the contributions are fixed, or statutes issued. The Advisory Council of a Central Transport Group is made up of the directors of Sections and the Advisory Council of a District Group consists of the directors of the district sub-groups.

The decree of the 25th September, 1935, also provides for assemblies of members at which progress reports and financial Statements are made. A meeting must be held by each group once a year, when a resolution must be submitted as to whether the Director enjoys the confidence of the members. The Group "Motor Transport" held its first meeting in Berlin on the 1st March, 1936. This group which has seventy thousand members, comprises passenger traffic, local and long distance goods traffic and private motor-bus traffic. The organisation was in the early months of 1936 still comparatively embryonic.

CHAPTER XXX.

Shipping; Inland Waterways.

Sea-going Shipping.—The re-organisation of German shipping carried out at the instigation of the Government, was completed during 1935 when independence of control and action was restored to the various shipping companies which in 1930 became amalgamated under a fifty-year agreement concluded between the Hamburg-America Line and the North German Lloyd. This agreement, which resulted in approximately 70 per cent. of the total German tonnage coming under the centralised control of the so-called Hapag-Lloyd Union, did not realise the expectations of its financial sponsors, and the decentralisation of the group came up for consideration very shortly after the succession to power of the National Socialist Government.

The actual process of breaking-up the block did not, however, commence until the end of 1934 when the German services to the East Coast of South America and the German Africa Services were detached from the Union and placed under the independent control of the Hamburg-South America Steamship Company and the German Africa Lines (Woermann & Deutsch-Ost Afrika) respectively. A number of small European lines, acting as feeders and distributors to the larger ocean-going services, were restored to private ownership, the Hapag and Lloyd disposing of their financial holdings in several smaller undertakings.

The German Levant Service was also severed from its connection with the Union, and companies financed with private capital were formed in Hamburg and Bremen to acquire the tonnage and other assets from the Hapag and Lloyd. These two companies now operate under the supervision of a joint holding company, for which purpose the old Deutsche Levante Linie G.m.b.H., Hamburg, has been retained.

On 1st February, 1935, a new Union agreement, re-adjusting the relations between the Hapag and Lloyd for a period of fifteen years, was entered into. Insofar as concerns the elimination of unhealthy competition between the Hapag and Lloyd, the spirit of the old agreement has been retained; the two companies agree to co-operate in regard to sailing lists and vessels to be used on the various routes as well as the methods to be adopted in canvassing for passengers and freight. Provision is also made for co-operation between the companies in safeguarding the sea-port interests of Hamburg and Bremen.

In the interests of greater elasticity of management and to ensure increased freedom of action and sense of responsibility, joint operation on a profit pooling basis has been restricted to certain vital routes on which it was considered of advantage to run joint services, viz. : cargo and passenger services to and from the East and West coast of Central and South America, Cuba, Mexico and the Far East. The management of the Hapag and Lloyd North Atlantic services to and from New York was transferred to two operating companies—Hamburger Nordatlantikdienst G.m.b.H. and Bremer-Nordatlantikdienst G.m.b.H.—and experienced managers placed in charge of the services of each company. On other routes independent services are again operated by the Hapag and Lloyd.

The result of this arrangement is that the Hapag has acquired increased interests in the trade to and from Central America, the West Indies and the West coasts of North and South America, whilst the Lloyd has been given additional importance in the business with the Far East, on which route it operates the three 18,000 ton fleet liners—"Scharnhorst," "Potsdam" and "Gneisenau"—which were built by the Government. Provision has been made for the Hapag to share in this business in the event of the placing in service of a fourth vessel being justified.

The measures of re-organisation recorded above resulted in over two million gross tons of shipping formerly under the centralised control of the old Hapag-Lloyd Union being split up among the principal German companies as follows :—

	<i>No. of vessels.</i>	<i>Gr. reg. tons</i>
Hamburg-America Line	111	743,112
North German Lloyd	114	589,954
Hamburg-South America S.S. Company	36	279,260
Hansa Line	37	262,165
German Africa Lines	30	138,658

The Hapag and Lloyd, as well as the Hamburg-South America Line, have not so far presented reports and balance sheets for 1934 and the next statements issued will cover the two re-construction years 1934-5.

In order to cover deficits, adjust depreciated values and create new reserves, proposals for a financial re-organisation were put forward in March, 1936, of which the following table gives a summary:—

Proposed Reorganisation of Capital of Hamburg America Line and North German Lloyd.

	<i>Hapag.</i> (RM.)	<i>Lloyd.</i> (RM.)
Present ordinary share capital	53,200,000	52,840,000
Cancellation of company shares	—	3,500,000
	<hr/> 53,200,000	<hr/> 49,340,000
Reduced capital after writing-down (5 to 1)	10,840,000	9,868,000
Preference shares	1,370,000	1,660,000
	<hr/> 12,010,000	<hr/> 11,528,000
Residue of old capital	12,010,000	11,528,000
New capital issue	34,360,000	35,132,000
	<hr/> 46,370,000	<hr/> 46,660,000
Reorganised capital	46,370,000	46,660,000

The financial reorganisation will be carried out with the assistance of The Reich.

It is understood that these two companies, in the management of which many changes have been made, are heavily indebted to the State. In connection with the reorganisation of the North Atlantic services of the Hapag and Lloyd it was stated that the Reich would accord relief in the carrying-on of these services in a suitable manner as has been done to an increasing measure in the case of competitive foreign lines on the North Atlantic route.

The operation grant which has been accorded by the Government to German shipping since May, 1933, as compensation for losses incurred in competition with foreign shipping enjoying the advantage of a depreciated currency is still being continued. It is repeatedly affirmed that the rate of compensation does not fully reimburse owners for their actual losses. In addition to an operation subsidy, compensatory grants may be claimed by owners in respect of foreign exchange sold to the Reichsbank if it can be shown that losses have thereby been incurred.

The last report issued by the Association of German Shipowners shows that on 1st December, 1935, 28 vessels aggregating 145,256 gross register tons, or 4.2 per cent. of membership tonnage, was laid up compared with 395 vessels and 1,423,277 gross register tons—or 36.6 per cent. on 1st September, 1932. This is attributed in part to the systematic scrapping of old tonnage and sales abroad, but there is little doubt that the Government grant has enabled a large amount of tonnage to be placed in service during the last two years which would otherwise be laid up.

The house building fund created in 1933 under the Government's work provision programme was extended to German shipping companies to encourage by means of grants up to 30 per cent. of the value of orders the placing of contracts with German yards for

reconditioning, replacements and new constructions and after an interval of five years, a steady flow of orders for new tonnage from German owners commenced, to increase in impetus during 1935.

Wages on German ships have remained unchanged since 1st January, 1932, when a 10 per cent. reduction came into force under the Brüning Emergency Decree. An order relating to the general working conditions on German ships, which, it was claimed, ensured better social conditions for the seaman and established a better understanding between owners and men, was issued by the Special Labour Trustee for shipping in December, 1934.

The Quay Ordinances for the ports of Hamburg and Bremen were revised in March, 1934, when new regulations for quay administration and tariff charges for the use of public quays, warehouses and other port facilities were issued.

Shipping Traffic.—The total tonnage entered and cleared at German ports in 1935 was 2.3 per cent. higher than in 1934 in which year there was an increase of 8.5 per cent. compared with 1933. The total of 80.1 million net register tons was nearly 10 million tons higher than for the post-war "slump" year of 1932 but well below the figures for the two "boom" years of 1929 and 1930, viz. : 86.4 and 87.8 million tons respectively.

Details of traffic at German ports for the past three years are as follows :—

	<i>Entered.</i>	<i>Of which with cargo.</i>	<i>Cleared.</i>	<i>Of which with cargo.</i>	<i>Traffic with foreign ports.</i>
<i>(In 1,000 net register tons.)</i>					
1935 ...	40,338	35,674	39,765	31,513	63,285
1934 ...	39,297	35,240	39,005	30,668	62,880
1933 ...	36,181	32,356	35,984	29,114	58,616

The revival on the German inland market has resulted in a large increase in the coastwise traffic between German ports. In the case of the Baltic ports this traffic has risen by 65 per cent. since 1929 and by 25 per cent. in the case of North Sea ports. Traffic between German Baltic ports and foreign ports has increased since 1933 and in 1935 reached 93 per cent. of the 1929 figures; sailings between North Sea ports and non-German ports reached 84 per cent. of the total for the best post-war year.

Traffic at the six principal German ports in 1935 were as follows :—

	<i>Entered.</i>		<i>Cleared.</i>	
	<i>Total.</i>	<i>With cargo.</i>	<i>Total.</i>	<i>With cargo.</i>
<i>(In 1,000 net register tons.)</i>				
Hamburg	18,418	17,240	18,426	14,659
Bremen and Bremerhaven	8,139	7,165	8,043	7,306
Stettin	2,719	2,254	2,724	1,457
Lübeck	1,004	829	1,002	517
Emden	2,619	1,393	2,639	1,821
Königsberg	1,116	1,041	1,108	495

Although the increase in the total tonnage entered and cleared was only a little over 2 per cent., shipping under the German flag increased by 8 per cent., viz.: from 44.9 million tons in 1934 to 48.4 million tons in 1935; the German participation in the traffic at home ports rose to 60.5 per cent. of the total compared with 57.4 per cent. in 1934 and 55.2 per cent. in 1933. Thus the 1913 figure of 61 per cent. has nearly been reached. British shipping, which in 1934 represented over 25 per cent. of the total foreign shipping traffic at German ports, but only 21 per cent. in 1935, declined by the surprisingly large margin of 20 per cent., viz.: from 8.48 million tons in 1934 to 6.78 million tons in 1935. The shipping of Scandinavian countries—Denmark, Norway and Sweden, which mainly act as feeders and distributors to large ocean going services, was able to show increased participation.

The developments during the past two years summarised above tend strongly to confirm the impression that the economic and financial restrictions connected with Germany's foreign trade have been so applied as to give increased employment to German shipping. A vigorous national campaign in favour of the use of the German flag by shippers has resulted in the enjoyment of increased business by German shipping and that of other nationalities using German ports, mainly at the expense of tonnage under the British flag.

Traffic in 1934 and 1935, classified according to flags, was as follows:—

					<i>Tonnage entered and cleared in 1,000 n.r.t.</i>	
					<i>1935.</i>	<i>1934.</i>
German	...	...	...	...	48,477	44,958
British	...	...	...	...	6,786	8,480
Danish	...	...	...	...	3,411	3,393
Dutch	...	...	...	...	3,774	3,840
Norwegian	...	...	...	...	3,321	3,111
Swedish	...	...	...	...	4,700	4,266
U.S.A....	...	...	...	...	2,907	3,008
Other flags...	...	...	...	...	6,726	7,247
Total ...					80,102	78,302

There has been considerable development in the number of foreign short sea-cruises using Hamburg as a port of call. Thirty-four vessels (of which 27 were British) carrying some 8,000 passengers visited the Elbe port last summer compared with 22 vessels and 6,800 passengers in 1934. The "Strength through Joy" trips, arranged for German workmen and their families by the Labour Front, increased from 21 trips and 43,329 passengers in 1934 to 66 trips and 90,223 passengers in 1935. Hitherto large passenger liners, not required for regular services, have been used for these cruises, but the Government, through the Labour Front organisation, has now placed orders with German yards for two vessels

of 20,000 tons each, to be used for "Strength through Joy" trips. The construction of a third is contemplated.

Kiel Canal.—The mercantile tonnage passing through the Kiel Canal in both directions in 1935 increased by 5 per cent. (800,000 n.r.t.) compared with 1934. Of the increase, foreign tonnage rose by 635,000 net register tons and German by 175,000 tons. Foreign shipping using the Canal increased by 9 per cent.

	1935.		1934.	
	No. of vessels.	1,000 N.R.T.	No. of vessels.	1,000 N.R.T.
Total	43,553	17,197	43,842	16,352
Of which				
Merchant shipping	40,710	16,646	41,237	15,836
Including				
Steamers and motorships	19,379	15,229	18,685	14,354
Vessels with cargo	32,253	12,973	33,186	12,342
German flag	31,805	9,294	32,658	9,119
Other nationalities	8,905	7,352	8,379	6,717

Sea-borne goods traffic.—The volume of goods handled at the principal German seaports in 1935 totalled 48 million metric tons or approximately 1.8 million tons (3.8 per cent.) more than in 1934. While the coastwise exchange of goods between German ports increased by 1.2 million tons (11.6 per cent.) and outward cargoes also rose by 1.3 million tons (10.4 per cent.), incoming cargoes fell by 0.7 million tons (3.2 per cent.).

Details of the sea-borne goods traffic at North Sea and Baltic seaports, with figures for the principal ports, are given in the following table:—

	Total.		Of which foreign trade.	
	Inward.	Outward.	Inward.	Outward.
	<i>(In 1,000 metric tons.)</i>			
<i>North Sea ports</i>	19,934	15,073	17,405	11,109
Hamburg	13,465	6,498	12,219	5,371
Bremen and Bremerhaven	2,690	3,816	1,916	3,356
Emden	3,009	3,796	2,331	1,664
<i>Baltic ports...</i>	8,436	4,556	5,142	2,630
Stettin	3,870	2,196	2,381	1,560
Königsberg	1,957	887	1,036	235
Lübeck	1,156	496	820	383
Total, 1935	28,370	19,629	22,547	13,739
Total, 1934	28,484	17,737	23,285	12,442

Compared with the peak post-war year of 1929 (= 100), cargo traffic at the principal German seaports has developed as follows:—

1930.	1931.	1932.	1933.	1934.	1935.
92.0	78.7	71.2	77.4	89.9	93.2

Baltic ports, which in 1934 had already exceeded the 1929 total of cargoes handled, showed further progress in 1935. North Sea

ports, which are to a greater extent dependent upon foreign trade, have suffered through the reduction of inward foreign cargoes which in 1935 were 31.5 per cent. below those of 1929. The total volume of goods handled in 1935 at North Sea ports reached 86.5 per cent. of the 1929 figure. There have been appreciable increases in the returns of German coastwise trade at Emden and Königsberg; these two ports are also alone able to show increased cargo traffic with foreign ports as compared with 1929.

Hamburg's foreign trade is 35 per cent. behind that of 1929. Inward cargoes at Germany's largest port declined from 14 million tons in 1934 to 13.5 million tons in 1935; outward cargoes increased slightly from 6.3 to 6.4 million tons, but were 2.4 per cent. below the total for 1933.

Of the 48 million tons of cargo handled, mineral raw materials comprised 25.2 million tons, which figure included 13.6 million tons of coal, 4.4 million tons of ore and 4.3 million tons of mineral oil. Other raw materials and industrial products included 2.5 million tons of timber, 2.1 million tons of iron and ironware and 1.8 million tons each of fertilizers and cellulose. Agricultural products reached the total of 10.6 million tons and included 3.6 million tons of grain and pulse. The sea-going goods traffic on the Rhine with a total of over one million tons in 1935 exceeded by nearly 400,000 tons the volume in 1934. Mass goods cargoes through the Kiel Canal rose by over one million tons (8 per cent.). Timber shipped from the Baltic through the Canal rose by nearly half a million tons (40 per cent.) compared with 1934.

Inland Waterways.—The total volume of cargoes loaded and discharged in 1935 at inland waterway harbours amounted to 132 million tons and exceeded by 8 million tons (6 per cent.) the 1934 total. The peak figure of 1929 has nearly been reached. The transport of ore rose by 23 per cent. compared with 1934, timber by 12 per cent., iron and ironware by 6 per cent. and coal by 3 per cent.; grain shipments dropped by 17 per cent. and fertilisers by 6 per cent.

Traffic in the Rhine district rose by 7 per cent.; outgoing shipping at the frontier port of Emmerich was 7.6 per cent. higher. On the North-West German waterways traffic improved by 5.5 per cent. In the Elbe district, which suffered in 1933 and 1934 owing to low water, an increase of 7.2 per cent. took place in 1935, which only partly compensated the drop in previous years. For Berlin and district there was an advance of 10 per cent. on traffic returns in 1934. Unfavourable conditions on the Oder led to a decrease of 3.3 per cent.

In 1935 Germany had 17,700 ships with a total tonnage of 6.4 million on inland waterways. Of these, 3,500 ships with a total of 2.2 million tons were in the Rhine district. The inland waterways carry over 20 per cent. of goods transported in this country.

The importance attached by the German Government to inland waterways is demonstrated by the following figures. From 1932 to early in 1935, some RM.220 million were placed at the disposal of the waterways authorities in connection with schemes for the creation of labour. The budget of the Ministry of Transport in 1934 contained items of RM.73 million for current expenditure on inland waterways and RM.53 million for non-recurring expenditure. In 1934 2,800 administrative officials were employed in this service, the number of regular workers in the department was 21,000, and a further 18,000 employees of private contractors were occupied on this work. Together with squads of Labour Service, it was estimated that inland waterways were providing work for 45,000 men.

The official programme of canal construction passed up to October, 1935, included 16 large projects involving a total expenditure of over RM.900 million as well as various smaller alterations. Four schemes were completed in 1935, viz., the canalisation of the Neckar between Mannheim and Heilbronn, the "Coastal Canal" between the Weser and Ems, the re-bedding of the lower Main, and the deepening of the Elbe channel in Mecklenburg. Progress has been made on the Adolf Hitler Canal in Silesia and the preparatory construction of the end port of Gleiwitz finished; RM.25 million will be spent on this project during 1936. Altogether schemes on the Oder will probably take from four to five years and cost about RM.150 million. The execution of the plans for the improvement of the Elbe at a similar expense is expected to occupy eight years. Extensions at the mouth of the Havel into the Elbe were expected to cost RM.10 million; the Elbe-Havel canal is to be opened in 1936. The canalisation of the Saale to take 1,000 ton ships had resulted in a shortening of its course by six kilometres in February, 1936.

The Minister of Transport stated that the budget in 1935 provided for a grant of RM.90 million for inland waterways. The most important project in hand was the Central German Canal (Mittellandkanal) which was also of significance from the standpoint of national defence. This direct waterway between the Rhine and the Ruhr and Berlin would, he said, create considerable changes in German traffic, and would probably be taken into use eastward as far as Magdeburg in 1938. The large canal bridge over the Elbe will require another four years. With regard to the Rhine-Main-Danube connection, great improvements had been made on the Danube between Regensburg and Passau. Work on the Main will be completed from Aschaffenburg to Würzburg in 1938, the river bed will then be made navigable as far as Bamberg, from which town a canal will be constructed to Nuremberg. The Minister emphasised the importance placed on linking up more efficiently the ports of Hamburg, Bremen and Stettin to their hinterland by a comprehensive extension of their natural waterways of the Elbe, the Weser and the Oder.

CHAPTER XXXI.

Inland Transport.

Railways: Receipts.—The total revenue of the German Railway Company fell from the peak of RM.5,354 million in 1929 to a low point of RM.2,921 million in 1933. The financial recovery since that time has not been in proportion to the increased activity, owing to the continued reduction since 1931 in average tariff earnings in respect of both passengers and goods. In 1934 goods traffic was nearly 19 per cent. higher than in 1933 and brought an increase of 18 per cent. in receipts, passenger traffic in 1934 was 10 per cent. greater in volume and 8 per cent. higher in receipts than in the preceding year. In 1935, although passenger kilometres and ton kilometres rose by about 14 per cent. over the level of 1934, revenue in each case increased by only 8 per cent. About 2 per cent. of the traffic increase of 14 per cent. was estimated to be due to the return of the Saar Railways.

The operating account, which showed a deficit in 1933, furnished a surplus of RM.24 million in 1934 (with an operating factor of 99.28 per cent.) and of RM.155 million (estimated) in 1935 (with an operating factor of 96 per cent.). This surplus of RM.155 million was not sufficient to cover the fixed charges represented by interest on loans, reserve allocations, and interest on preferential shares, which amounted to about RM.180 million. Recourse had again to be made to reserves to cover these charges and, beyond the RM.75 million paid as dividends on preferential shares, the Railways again earned no profit. The following shows the sources of receipts in the past two years:—

German Railway Company.

<i>Receipts from</i>		1934.	1935.
		<i>(Approx.)</i>	
		<i>(RM. million.)</i>	
Passenger and luggage traffic	... ..	917.1	990
Goods traffic	... ..	2,140.0	2,320
Various receipts	... ..	269.3	265
Total		3,326.4	3,575

Personnel.—The financial results were affected largely by the higher costs of personnel, which absorbed practically 70 per cent. of total expenditure. The permanent personnel of the German Railway Company numbered 593,000 in 1933; it was increased on an average by 37,000 workers in 1934 and a further 30,000 last year.

Tariff Policy.—Another important factor was the extension of special freight rates such as the transport of material for the German Motor Roads, the free transport of commodities for the Winter Relief Organisation, tourist tickets, cheap fares to foreign visitors and to National Socialist members attending the Nuremberg Conference, etc. It was stated that, while in 1913 only 13 per cent. of the revenue from passenger traffic arose from reduced tariffs, the

percentage in 1935 was 51, whilst as regards goods traffic the percentage rose from 41 in 1913 to 47 in 1935.

Under these circumstances it was decided to increase the tariff for goods generally by 5 per cent. with effect from 20th January, 1936, with the object of raising revenue from goods traffic by RM.100 million, but exceptions were made, e.g., competition transport and freight rates on import and export consignments and certain foodstuffs. The Price Controller prohibited any increase in prices to the consumer as a result of the higher freight rates.

The German Railway Company again took an active part in assisting German industry by means of exceptional tariffs, particularly for raw materials from home sources. Coal intended for export was also transported at specially low rates. German cured herrings were given a reduction up to 15 per cent. to all stations within the country. Transport of stores and materials required in connection with the Voluntary Labour Service, land settlement schemes and other public works was effected at half the usual rates. Exceptional tariffs were put into operation to assist industry in the Saar territory on its incorporation within the Reich. The numerous concessions granted to export trade were still further extended, including freight rates for ceramic goods, toys, ironware, permanent way material and motor vehicles.

Railway Contracts.—The Railway Company had an extraordinary budget of RM.1,067 million in the years 1933 and 1934 in connection with supplementary contracts for the creation of work. In 1935, expenditure under this programme was included in the ordinary budget. The Railway Company consumed 13.8 million tons of coal in 1935 (or one million tons more than in 1934). General stores were bought to the extent of RM.75.4 million as against RM.87 million in 1934. The maintenance and improvement of rolling stock cost RM.58.8 million (1934 RM.74.2 million). The contract with the German Steelwork Association for 1935 was for 360,000 tons of material. About 35 million wooden sleepers were used during the year. New rolling stock in 1935 accounted for RM.135 million compared with RM.127 million in 1934 and RM.89 million in 1933. In January, 1936, it was decided to place contracts for additional rolling stock up to RM.180 million in the current year.

Electrification.—Up to the end of 1935 some 1,920 km. of main lines had been electrified, to which must be added 300 km. of suburban lines. Last autumn the electrification of the line between Nuremberg and Halle-Leipzig was started with a length of 350 km.; it is stated that this project will find employment for 11,000 workers for a period of four years. The cost is estimated at RM.114 million, of which RM.46 million will be used for new electric locomotives.

At the end of 1935, 131 motor services for passengers were being run by the Railway Company in conjunction with the Post Office.

Eleven lines were worked by the Railways alone and a further eleven passenger services together with private concerns. The company had 2,550 motor vehicles and 760 trailers available for goods traffic at that date.

Road Traffic.—A law was passed on the 4th December, 1934, regulating the transport of passengers by road. On the 26th June, 1935, the German Government passed another law to regulate long distance goods traffic by road, which comes into force on the 1st April, 1936. Carriers must be licensed and become members of a statutory corporation, the German Motor Carriers' Association. The function of this body will be the development and regulation of such traffic, the organisation of loading depots, the calculation and collection of freight costs, the insurance of goods carried by members, and the supervision of the execution of their legal duties by all parties to transport contracts. The Association, which may inflict fines on members, must prepare tables of tariff rates in agreement with the German Railway Company. In case of disagreement, the Minister of Transport decides the issue.

German Motor Roads.—The " German Motor Roads Company " which is a subsidiary of the German Railway Company, has fifteen regional offices to supervise the construction of a network of speedways throughout Germany. The original scheme provided for the building of 7,000 km. of motor roads between 1934 and 1939. During 1935 the following roads were completed and taken into use :—

On 19th May	...	Frankfurt-on-Main to Darmstadt	...	...	...	22 km.
29th June	...	Munich to Holzkirchen...	...	...	...	25 km.
3rd October	...	Darmstadt-Mannheim-Heidelberg	...	...	...	61 km.
						Total 108 km.

At the end of 1935 work was being carried on over a total length of 1,876 km. and plans had been passed altogether for 3,450 km.

One special project contemplated is the construction of a gigantic motor road ring around Berlin which is intended to relieve the congestion of traffic in the City and link up with the main motor road system. This ring would be some 25 to 30 km. from the centre of Berlin and have a total length of some 200 km. It would require 150 bridges and several viaducts more than 1,000 metres long.

Some 113,000 workers were employed on motor roads in July, 1935. In order to avoid level crossings a bridge is required every 800 to 1,000 metres; about 800 bridges have already been completed and work started on a further 600. Up to the present contracts have been placed by the Company for two million tons of concrete and 200,000 tons of constructional steel. Expenditure amounted to over RM.200 million in 1934, while the Company estimated its outlay in 1935 at RM.500 million, of which 40 per cent. was for excavation work, 14 per cent. for surface material and 7 per cent. for

administration charges. The number of persons on the administrative staff rose from 4,260 in January to 6,239 in October, 1935.

No fee is imposed for the use of these motor roads, the construction of which is of the greatest importance to the German Government from the point of view of motorisation and of creation of work.

Aviation.—The development of German air services of the "Luft Hansa", which became the sole corporation entrusted with the running of air services after the absorption of the Deutsche Verkehrsflug A.G. in 1934, is shown in the following table:—

Traffic Returns of German Luft Hansa.

	1934.	1933.	1932.	1931.	1930.
Passengers	130,758	94,872	86,578	82,998	76,894
Passenger km. (in 1,000)	44,536	29,477	24,630	22,100	20,578
Goods (in 1,000 ton km.)	598	485	507	593	538
Air Mails (in 1,000 ton km.)	337	185	139	157	169

According to the provisional figures for 1935 the German Luft Hansa operated flying services in the past year over a total network of 38,031 km. covered more than 16 million flying kilometres and carried 184,280 passengers, 2,058 tons of post and newspapers, and 1,711 tons of goods. The network operated included 24,651 km. within Europe, 7,880 on South American services, and 5,500 km. on the Chinese lines of the "Eurasia".

The remarkable increase in returns on European services in 1934 was attributed largely to the greater use made of aeroplanes by organisations of the National Socialist party and by the German Railway Company and Post Office.

Details of receipts, subsidies, and expenditure of the Luft Hansa for the period 1931 to 1934 are given below:—

Profit and Loss Account of "Luft-Hansa" 1931-4.

	1931.	1932.	1933.	1934.
	<i>(In 1,000 RM.)</i>			
(a) Receipts—				
Fares and freights... ..	6,538	6,083	9,349	16,647
Repairs, etc.	1,285	865	1,084	1,171
Sales, etc.	1,756	2,014	2,040	2,048
	9,579	8,962	12,473	19,866
(b) Subsidies	17,860	15,129	17,311	20,650
Total	27,439	24,091	29,784	40,516
Expenditure—				
Working expenses	19,915	14,882	19,858	28,981
Administration expenses	1,547	1,509	1,629	1,973
Writes-off	5,974	6,962	6,400	6,862
Reserves	—	700	1,747	2,450
Total	27,436	24,053	29,634	40,266
Profit	3	37	150	250

The assets of the Company rose in 1934 by RM.9.3 million; additional purchases of aeroplanes and engines amounted to RM.15.2 million.

German Air Services have been speeded up in the past two years; 85 per cent. of the regular services are now worked by three-motor Junkers Ju 52 type. The Berlin-Rome line was maintained also in winter. The first hundred trips on the Berlin-South American route were completed on the 25th August, 1935. A contract was placed for a third base ship to be used on that service in December, 1935. Post from Berlin now requires only three days for delivery in Rio de Janeiro and three and a-half days for Buenos Aires. It is proposed to extend the service to Chile.

The Deutsche Zeppelin Reederei G.m.b.H. was established in March, 1935, with the collaboration of the German Air Minister. The Ordinary capital is held by "Luftschiffbau Zeppelin G.m.b.H." RM.5.7 million and "Deutsche Luft Hansa A.G." RM.3.85 million. Dr. Eckener is Chairman of the Board. The new Company will operate airship services with headquarters in Berlin, constructional depot at Friedrichshafen and operating centre at Frankfurt-on-Main Airport, which is being considerably enlarged. The airships "Graf Zeppelin" and the recently completed "Hindenburg L.Z. 129" will be used, as well as the sister ship "L.Z. 130" which is expected to be ready in 1937. These airships will undertake the South American service. In February, 1936, an agreement was arrived at between Germany and the U.S.A. regarding a series of trial flights to be made by L.Z. 129 across the North Atlantic this year.

During 1935 "Graf Zeppelin" covered some 350,000 km. including its fiftieth trip to South America.

The following table shows the development of the German-Russian Air Service (Deruluft):—

<i>Year.</i>	<i>Kilometres.</i>	<i>Passengers.</i>	<i>Letter post.</i> <i>kg.</i>	<i>Freight</i> <i>Luggage.</i> <i>kg.</i>	<i>Total cargo.</i> <i>kg.</i>
1922	174,768	286	1,047	19,915	43,842
1927	630,542	1,727	25,574	38,506	202,240
1931	945,317	3,081	29,060	70,146	345,686
1933	1,216,403	5,857	31,611	121,779	621,590
1934	1,546,596	12,130	56,952	204,620	1,231,972
1935	1,577,272	14,185	73,615	366,228	1,574,643

The capacity available increased from 1,359,130 ton kilometres in 1934 to 1,800,850 ton kilometres in 1935, which was used up to about 57 per cent.

CHAPTER XXXII.

Posts; Telegraphs and Radio.

Posts; Telegraphs.—On the whole the postal returns in 1934 showed an improvement on 1933 figures. The downward tendency in the letter post since 1929 came to an end and an increase of

almost 3 per cent. was achieved in comparison with 1933; some 5,570 million letters were dealt with in 1934. The number of small packets despatched by post rose by 10 per cent., postal orders were 7 per cent. higher in number and 8 per cent. more in value than in the preceding year. The number of transactions through postal cheque accounts improved in 1934 by 8 per cent., the turnover and average credit balance in these accounts by 15 per cent. Telephone subscribers increased by 4 per cent. to 3,067,320 and the number of telephone calls in the first 11 months was over 2,000 million or 7 per cent. higher than in the corresponding period of 1933. There was a decline of 6 per cent. in telegrams.

During 1935 there was an addition of 21,000 postal cheque accounts; some 800 million transactions were passed through these accounts, involving an amount of over RM.127,000 million. The Post Office dealt with 2·8 million post cards, 30,000 telegrams and 84,000 telephone calls in connection with the National Socialist Annual Conference. The number of telephone subscribers increased by 5 per cent. to 3·23 million. The industrial revival continued to have a favourable influence on postal returns.

The following table shows the financial position of the German Post Office in the past three years compared with 1929-1930 :—

<i>Financial year, 1st April to 31st March.</i>	<i>1929-30.</i>	<i>1932-33.</i>	<i>1933-34.</i>	<i>1934-35.</i>
		<i>(RM. millions.)</i>		
Total receipts	2,259	1,653	1,638	1,659
Total expenditure	1,847	1,301	1,310	1,335
Writings-off	198	142	207	192
Profit	228	186	—	—
Loss	—	—	222	27
Transferred to Reich	152	230	228	151
Total assets at end of year	2,550	2,516	2,294	2,267

At the end of 1935 the Post Office had almost 400,000 employees, or many thousands more than in the preceding years. The motor park consisted of 14,630 vehicles including 3,646 omnibuses, and 2,360 motor passenger services were being operated over a distance of 50,740 km.

Aerial postal services were run on 99 routes in the summer of 1935, compared with 94 in 1933; the distance covered in Germany was extended from 32,900 km. to 42,000 km. The services to South America were maintained in winter. The quantity of post carried by air increased by 138 per cent. in the last 12 months.

A picture telegraph service was introduced between Berlin and Brussels in April, 1935. Among the wireless telegraphy services started in 1935 were connections between Berlin and Tokio, Rhodesia and Ceylon. The ticker service between Berlin, Hamburg, Dortmund and Dusseldorf was extended to Cologne, Magdeburg and Bremen. From September, 1935, telegrams could be sent from aerodromes to air passengers.

Whereas the overseas telegraph service was capable of transmitting only 120 words a minute in 1913, the capacity of existing plant enables 2,700 words per minute to be dealt with. About 100,000 telegrams were despatched in 1934 via the coastal wireless station of Norddeich to German ships at sea.

Radio.—The German Broadcasting Company (Reichs Runkfunk-Gesellschaft), which is owned by the Government and controlled by the Ministry of Propaganda, is responsible for all radio programmes. All transmitters are owned and operated by the Post Office. The network of stations in operation or under construction includes seven 100 kw. stations and one 120 kw. long wave station, as well as a number of medium and low powered relays.

In the course of 1935 the radio transmitter at Heilsberg was increased to 100 kw. and Saarbrucken to 17 kw. New low powered stations were opened at Coblenz and Gleiwitz. Experiments with a short wave plant on the Brocken Mountain were stated to be so successful that a new short wave network was projected.

The number of registered listeners-in to radio broadcasting performances rose from 5,052,000 in December, 1933, to 7,192,000 at the end of 1935; the latter figure includes 519,734 unemployed, war invalids, etc., who paid no subscription. The propaganda campaign inaugurated by the Broadcasting Chamber provided for ten special radio exhibitions in different parts of Germany during 1936.

It was decided not to allow advertisement by wireless after the end of 1935.

Television research included the installation of a transportable transmitter on the Brocken at an altitude of 3,500 ft., from which successful broadcasts were made up to 100 kw. The Postal Authorities reported in December, 1935, that television still presented numerous problems and that a great deal of work was essential for the development of present plant. The television transmitter at Witzleben (Berlin) was destroyed by fire in August, 1935; a new plant was opened in December, 1935, and the programmes made accessible to the public at eight post offices. An experimental television telephone service was opened between Berlin and Leipzig in March, 1936.

VII.—SOCIAL QUESTIONS

CHAPTER XXXIII.

Social Policy in General; Public Health; Education; Housing.

Long before the National Socialist revolution, indeed before the Great War, Germany had a much closer social stratification, as measured in terms of personal income, than say the United Kingdom, and for several generations Germany has been notable for advance in the field of social legislation. Thanks

to a high educational level, and to the German genius for collective, co-operative, and municipal enterprise, the standard of requirements in matters of food, clothing, housing, warmth, and cultural things has become high. This accounts in some degree for the fact that, while the Germans regard themselves as a comparatively poor and hard-pressed nation, foreign visitors are usually impressed by the *largesse* of the German scene, the absence of slums and of slum-dwellers from the city streets, the cleanliness, order, well-kept appearance and bearing of the inhabitants and their surroundings, and altogether signs of what could be taken for a comparative opulence. It should, however, be remembered that the average German wage and salary scale, and the wealth per head of the population is much less than in some countries which betray more signs of poverty to the eye, and that the outward appearance of a certain opulence is in great degree due to efficient collective organisation and the mass consumption, as well as mass production, of cultural and leisure (as well as industrial) products. Wage and salary scales as shown in statistical returns are a very unreliable guide to real social conditions in Germany since the individual receives from the State many things and services which would in other countries be paid for out of wages or salaries.

The Great War and the impoverishment of the upper and middle classes caused by the currency inflation of the early 1920's compressed still further the gamut of economic differentiation between the social strata, and it only required the further pressure of the trade crisis of the years 1929-33 to create a general social situation eminently favourable to the development of the National Socialist ideal of a classless society devoted to furtherance of a collective national interest as interpreted by a Leader. In the new society collective solidarity is paramount and individual liberty of thought and action are not regarded even as desirable. The individual may express his individuality only in so far as it conforms to the national mould and the national spirit—to Germanhood. Only absorption in and devotion to the collective unity, the nation, justifies the individual existence. Personal liberty in the interpretation usually given to the term by Western democracies is contrary to the aims of Nazism. "Common weal before private interests" is the master-motto of National Socialism, and the principle has application in social and cultural as well as in economic and political spheres.

One of the principal social aims of the National Socialist revolution has been the re-awakening of the nation to the importance of its native soil. "Blood and the Soil" is the motto of the Estate of Agriculture and is a theme constantly dwelt upon in educational and social discussions. In other parts of this Report the measures which have been taken in order to give a proper economic status to the rural population of the country, have been described. These include regulation of production and marketing, land reclamation,

Whereas the overseas telegraph service was capable of transmitting only 120 words a minute in 1913, the capacity of existing plant enables 2,700 words per minute to be dealt with. About 100,000 telegrams were despatched in 1934 via the coastal wireless station of Norddeich to German ships at sea.

Radio.—The German Broadcasting Company (Reichs Runkfunk-Gesellschaft), which is owned by the Government and controlled by the Ministry of Propaganda, is responsible for all radio programmes. All transmitters are owned and operated by the Post Office. The network of stations in operation or under construction includes seven 100 kw. stations and one 120 kw. long wave station, as well as a number of medium and low powered relays.

In the course of 1935 the radio transmitter at Heilsberg was increased to 100 kw. and Saarbrücken to 17 kw. New low powered stations were opened at Coblenz and Gleiwitz. Experiments with a short wave plant on the Brocken Mountain were stated to be so successful that a new short wave network was projected.

The number of registered listeners-in to radio broadcasting performances rose from 5,052,000 in December, 1933, to 7,192,000 at the end of 1935; the latter figure includes 519,734 unemployed, war invalids, etc., who paid no subscription. The propaganda campaign inaugurated by the Broadcasting Chamber provided for ten special radio exhibitions in different parts of Germany during 1936.

It was decided not to allow advertisement by wireless after the end of 1935.

Television research included the installation of a transportable transmitter on the Brocken at an altitude of 3,500 ft., from which successful broadcasts were made up to 100 kw. The Postal Authorities reported in December, 1935, that television still presented numerous problems and that a great deal of work was essential for the development of present plant. The television transmitter at Witzleben (Berlin) was destroyed by fire in August, 1935; a new plant was opened in December, 1935, and the programmes made accessible to the public at eight post offices. An experimental television telephone service was opened between Berlin and Leipzig in March, 1936.

VII.—SOCIAL QUESTIONS

CHAPTER XXXIII.

Social Policy in General; Public Health; Education; Housing.

Long before the National Socialist revolution, indeed before the Great War, Germany had a much closer social stratification, as measured in terms of personal income, than say the United Kingdom, and for several generations Germany has been notable for advance in the field of social legislation. Thanks

to a high educational level, and to the German genius for collective, co-operative, and municipal enterprise, the standard of requirements in matters of food, clothing, housing, warmth, and cultural things has become high. This accounts in some degree for the fact that, while the Germans regard themselves as a comparatively poor and hard-pressed nation, foreign visitors are usually impressed by the *largesse* of the German scene, the absence of slums and of slum-dwellers from the city streets, the cleanliness, order, well-kept appearance and bearing of the inhabitants and their surroundings, and altogether signs of what could be taken for a comparative opulence. It should, however, be remembered that the average German wage and salary scale, and the wealth per head of the population is much less than in some countries which betray more signs of poverty to the eye, and that the outward appearance of a certain opulence is in great degree due to efficient collective organisation and the mass consumption, as well as mass production, of cultural and leisure (as well as industrial) products. Wage and salary scales as shown in statistical returns are a very unreliable guide to real social conditions in Germany since the individual receives from the State many things and services which would in other countries be paid for out of wages or salaries.

The Great War and the impoverishment of the upper and middle classes caused by the currency inflation of the early 1920's compressed still further the gamut of economic differentiation between the social strata, and it only required the further pressure of the trade crisis of the years 1929-33 to create a general social situation eminently favourable to the development of the National Socialist ideal of a classless society devoted to furtherance of a collective national interest as interpreted by a Leader. In the new society collective solidarity is paramount and individual liberty of thought and action are not regarded even as desirable. The individual may express his individuality only in so far as it conforms to the national mould and the national spirit—to Germanhood. Only absorption in and devotion to the collective unity, the nation, justifies the individual existence. Personal liberty in the interpretation usually given to the term by Western democracies is contrary to the aims of Nazism. "Common weal before private interests" is the master-motto of National Socialism, and the principle has application in social and cultural as well as in economic and political spheres.

One of the principal social aims of the National Socialist revolution has been the re-awakening of the nation to the importance of its native soil. "Blood and the Soil" is the motto of the Estate of Agriculture and is a theme constantly dwelt upon in educational and social discussions. In other parts of this Report the measures which have been taken in order to give a proper economic status to the rural population of the country, have been described. These include regulation of production and marketing, land reclamation,

rural settlements, the entailment of farms, restrictions on agricultural indebtedness, and in general an augmentation of the attractiveness of country life. Other measures taken in furtherance of the "Back to the Land" movement are:—

Land Help (Landhilfe).—This institution was founded early in 1933 with the object of placing unemployed youths on farms as agricultural labourers on payment of wages partly provided by the Government and on the understanding that they would be taken on as additional hands by farmers who otherwise would not have employed more workers. By this means farm maintenance and improvement work was encouraged, and it was also hoped that the farmer's wife would benefit from the additional help available about the place and could devote herself more to the rearing of children. It was also the intention of the authorities responsible for the scheme that a sense of the soil and some comprehension of the ultimate national importance of farm activity should be inculcated in the young town-bred unemployed to whom the scheme was applied. By the middle of September, 1933, nearly 165,000 young men and women had been placed on the land under this scheme. After that date other measures of unemployment relief and work creation began to be effective and the Land Help figures were correspondingly reduced. In July, 1935, there were 110,000 young unemployed men and 27,000 young women on farms under the scheme. It is claimed that 60 per cent. of the workers sent to the country have remained on the land of their own free will after their period of duty and service by State arrangement had been concluded.

Labour Service Corps (Arbeitsdienst).—The Labour Service Corps was instituted before the advent of the National Socialist Government and was expanded and adapted in 1933 to suit the new social and political principles. It is now an established national institution; every young German must serve in the Labour Service Corps for six months prior to his being called up to military service.

Total numbers in the Labour Service Corps.

July, 1933	252,780
December, 1933	225,598
July, 1934	222,917
December, 1934	229,166
July, 1935	209,116
December, 1935	182,370

A Labour Service Corps man receives 25 Pfennigs pocket money per day. An item of RM.200 million per annum is included in the Budget of the Reich to cover the cost of this Service. The work of the Corps is almost entirely devoted to land reclamation, forestry work and soil improvement generally. The discipline of camp life and the very close touch with his native soil which membership of the Corps gives to the young German are regarded as essential elements of his training towards National Socialist

citizenship. The Women's Labour Corps serves the same purpose as its brother institution, but is on a much smaller scale. In May, 1935, it included 12,000 girls on its register.

Land Year (Landjahr).—The Land Year is an institution applicable only in Prussia established by a law of 29th March, 1934, whereby a fixed and selected number of young Germans of both sexes are enabled and encouraged to spend a year in schools run by the Government on farm work or other country activity with social and economic objects similar to those underlying the Land Help scheme for young unemployed.

The compulsory return to the country of former agricultural labourers who had drifted to the large cities and the prohibition of further migration to all urban communities were also calculated to stem and reverse the townward flow of population.

Measures of a social nature more particularly applicable to city dwellers included schemes for suburban settlement and slum clearance, the grant of marriage loans and the prohibition of industrial labour migration to towns or areas specially noted as suffering severely from trade depression, such as Berlin, Hamburg, Bremen and the Saar Territory. The activities of the Labour Front, especially of the "Strength through Joy" department, in providing access by the mass of the working population on a co-operative basis to cultural, sporting and leisure activities not normally within their reach as individual "consumers" is also a notable social enterprise.

The German penchant for collective action and organised endeavour has been granted a great measure of expression through National Socialist schemes deriving from the basic ideas of collective solidarity and uniform national taste. A certain steering of demand has arisen and, thanks to the highly centralised control which the Third Reich Government exercises, is very effective in some fields. Examples are the "One-dish-Day" scheme in aid of Winter Relief (*vide infra*), the designing and marketing of a universal people's radio set—the total sales of which were estimated at 1,500,000 in August, 1935—the insistent demand for the production and marketing of a People's Motor Car, propaganda for increased consumption of bread and fish in lieu of foodstuffs less freely available, advocacy of native products in the kitchen in place of imported goods (e.g. vinegar for lemons), the "adoption" of Rhenish vineyard villages by large cities with the object of increasing sales of the village product, and, to return to "Strength through Joy", the promotion of communal mass holiday activity through grandiose schemes such as excursions to Madeira on the Labour Front's own ships and mass golf lessons available to all the workers. The collective *motif* penetrates into the realm of Sport which, being an important, attractive, and approved branch of the national life, does not escape adaptation and adjustment to National Socialist principles. The latter are expected to assert themselves even in the choice of furniture and

house decoration and it has been suggested that new equipment and new models in keeping with the new order should be adopted in the household in place of the many fusty relics of a bygone taste which still clutter many National Socialist homes. All these measures have important commercial effects by their stimulation of the home market for various classes of goods.

Population Policy and Public Health Measures.—It has been authoritatively stated that German parents are doing less than their duty to the nation if they do not produce at least four children. Governmental measures of assistance in facilitation of this ideal include welfare organisations such as "Mother and Child", arrangements for honorary foster-parenthood, the grant of marriage loans which are partly cancelled by the birth of a child, tax alleviation in respect of children, special travelling facilities for large families, special terms to fathers of families in the labour market, and agricultural measures such as the Law for the Entailment of Farms and the establishment of new rural colonies of families specially selected for their physical and moral qualities as citizens of the new Reich. In addition to non-recurrent grants-in-aid paid by the Reich to needy families with four or more children under 16 years of age, for which altogether RM.56 million were spent during the period October, 1935, to March, 1936, recurrent relief of this kind was provided for in a decree of 24th March, 1936. As from 1st July, 1936, families with five or more children under 16 and a net income of not more than RM.185 monthly will receive R.M.10 monthly for the fifth and each additional child.

Official statements of the Army Medical Authorities show that the physique of the German youth of to-day is good and that calamitous prognostications about the effect of war privation on the then infant generation have proved to be unfounded. In 1935 about 80 per cent. of the recruits examined were found to be capable of undergoing a very strenuous military training. The average physique of the town-bred recruit has improved during the last 25 years from a 10 per cent. inferiority as compared with the country-bred recruit to parity of both classes.

A law was passed on 14th July, 1933, for the prevention of the transmission of hereditary diseases and defects of body and mind. This law provides for the compulsory sterilisation of individuals laden with anti-social moral defects or mental and physical disabilities which could be transmitted to offsprings. By a law dated 18th October, 1935, the issue of marriage licences could be made subject, at the discretion of the registrar, to the production by both parties of a proper certificate of health and capacity drawn up in a prescribed and very detailed form.

Education.—As in other spheres of economic and social importance, the National Socialist Government has been taking vigorous

measures to enforce its principles and ideals in all fields of education. By authority of the Law on the Civil Service of 7th April, 1933, there took place in 1933 and 1934 a systematic removal of all elements and individuals in the teaching profession which could be regarded as hostile to the new order and the way was made clear for moulding the future National Socialist citizen from his earliest years. Physical training has been made a major and compulsory subject. Examination of apprentices for admission to trades includes questions on National Socialist philosophy. Scientific research and university teaching were also conformed to the new order. On 1st May, 1934, a National Ministry for Science, Education and Culture was formed in supersession of the previously existing administration of these matters by the individual States.

The National Socialist Government has had the courage of its convictions regarding the detrimental effect of too much intellectualism in the nation and has checked the tendency to a universal academic standard of education which despite all economic hardships continued to be observable ever since the Great War. Quotas for matriculation at the most crowded universities, technical high schools, and commercial institutes have been set. The traditional student corporations were dissolved as being a relic of the days when social classes were tolerable, and as likely to be breeding grounds for reaction against the new State. Preference for access to the restricted university opportunities is given according to a scale in which membership of the National Socialist Party and of its various youth organisations plays a leading part.

Housing.—Although the building industry during 1934 and 1935 depended for its phenomenal activity much more on Government and Party contracts than on private residential building activity, which has been anything but high, progress was made with a number of housing schemes sponsored and supported by the Government as part of the work creation programme. Part of the marriage loan and most of the reduction on the Prussian house rent tax in 1935 were devoted to housing; guarantees and grants-in-aid were made for schemes which in some cases combined suburban settlements with slum clearance. As a general rule new housing schemes favour small houses for one or two families, with a garden or access to open spaces, on suburban settlement lines, rather than any further development of the large apartment block system which until recently was a feature of city housing in Germany. The following figures show the provision of housing in cities of over 10,000 inhabitants in recent years:—

1929	...	...	...	318,000	additional	family	dwellings.
1932	...	...	...	141,000	"	"	
1933	...	...	...	178,000	"	"	
1934	...	...	...	284,000	"	"	
1935	...	...	...	260,000	"	"	

1934 figures were particularly high because Government subsidies in that year greatly favoured the remodelling of large houses into separate and more numerous family apartments. 1935 grants-in-aid were less than in the previous year, housing schemes having had, according to the Reich Minister of Finance, to yield priority to the necessities of the national defence programme.

It is estimated that half of the annual marriage figures in Germany represents the amount of the potential demand for *additional* housing accommodation. On this basis the provision of housing has lagged far behind requirements, and it is calculated that the 1936 programme should provide new housing accommodation for 300,000 families if it is to keep pace with the normal increase without taking up any of the arrears that have already developed. Housing is therefore a sphere of activity to which recourse can be had when industry has completed the extensive building programmes, other than private housing, executed on Government order in 1934 and 1935.

A fair sample of the type of housing activity which is being developed on National Socialist lines is the Labour Front scheme for the provision of 5,000 workmen's dwellings in the Palatinate, Upper Silesia and the Aachen districts. RM.12 million have been set aside for this scheme which provides for houses on plots of about one quarter of an acre which will cost RM.20 per month of rent and which after the lapse of three years will become the property of the tenant. The tenant owner-to-be must invest RM.300 on occupancy in return for which he receives seeds, fruit trees and a stock of small domestic animals. Applicants for houses under this scheme must be German nationals of Aryan origin, be physically healthy, politically reliable, have some knowledge of agriculture and interest in the care of small domestic animals and be free of debt. Ex-soldiers, Party veterans, and men with large families are given preference.

During 1935 the greatest housing activity was in Dessau, an important aircraft manufacturing centre, Brunswick, a rising industrial city, Freiburg, Kiel and Altona. The provision of new housing was at its lowest level in Western Germany, especially in such industrial centres as Duisburg, Wuppertal, Gelsenkirchen, Oberhausen and Hagen.

CHAPTER XXXIV.

LABOUR FRONT.

On the 2nd May, 1933, all German Trade Unions were dissolved by a Committee for the Protection of German Labour headed by Dr. Ley which had been formed at the request of the Chancellor. This Committee was authorised on the following day to build up a new Labour Organisation. The ensuing "German Labour Front" which was constituted on the 10th May, 1933, and given a legal basis by a law of the 24th October, 1934, comprised at

first only employees and some voluntary employer members and was in some measure a successor of the Trade Union organisation, but when the Estate of German Industry and Trade (see Chapter 15) became a corporative member of the German Labour Front as a result of the arrangement known as the "Leipzig Agreement" of the 26th March, 1935, employers as such automatically also became members. The Labour Front, therefore, now includes in its membership not only that of the former Trade Unions, but also that of the Employers' Associations in their new form. As will be seen from the following descriptive summary, the sphere of activity of the Labour Front is considerably greater than that of the bodies it has superseded. The Labour Front took over the funds of the Trade Unions and their subordinate institutions which were considered of benefit. Its headquarters are in Berlin.

Socially, the Labour Front is the organisation of all brain and manual workers in Germany, whether employees or employers. It aims at a complete solidarity of its members and admits no class distinction. Apart from its economic-social duties it has set itself the task of raising the standard of efficiency of German workmen and of the quality of work turned out; with this end in view it has established special departments for vocational training, for tests of occupational suitability and for continuation classes.

Politically, the Labour Front is affiliated with, and subordinate to, the National-Socialist Party and is under the Protectorate of the Chancellor. Since its inception in 1933 the Labour Front has been under the leadership of Dr. Ley, the Reich Leader of the Political Organisations of the National-Socialist Party, who appoints all subordinate Labour Front directors. Party membership is an essential qualification for these appointments. The Labour Front may be regarded as a link between the Party and all those of the German working population who are not Party members. One of its chief purposes is to inculcate the National-Socialist spirit into its members and to ensure contact between employers and employed on National Socialist principles.

At the end of 1935 it was reported that the Labour Front had 23 million members. All German workers, both employers and employees, all members of the liberal professions, and also foreigners for the duration of their stay in Germany, may become members. Jews and persons who are permanently incapacitated for work are excluded from membership. A distinction is made between individual and corporative members, that is to say between persons who join as individuals of their own accord and persons who automatically become Labour Front members through their organisation. Membership is, in principle, voluntary; employers are not by law obliged to employ exclusively persons who are Labour Front members, but actually there are strong incentives in favour of membership, e.g., a number of municipalities have announced that

they will place orders only with contractors who are Labour Front members. Contributions are based on the gross income of members; in February, 1935, the rates of contribution were given as follows:—

Category.	Monthly income.		Monthly contribution.
	RM.		
1	for unemployed		0.20
2	—		0.40
3	—		0.50
3A	—		2.60
4	up to 40	...	0.60
5	from 40 to	60	0.80
6	" 60 "	80	1.20
7	" 80 "	100	1.40
8	" 100 "	120	1.80
9	" 120 "	160	2.20
10	" 160 "	180	2.80
11	" 180 "	220	3.40
12	" 220 "	260	3.80
13	" 260 "	300	4.40
14	" 300 "	360	5.40
15	" 360 "	420	6.00
16	" 420 "	520	7.60
17	" 520 "	600	9.00
18	" 600 "	680	10.00
19	" 680 "	740	11.00
20	Over 740	...	12.00

Only members from category 4 onwards are entitled to relief from the Labour Front; the contributions payable in categories 1 to 3 are considered merely as administrative fees and were introduced for the benefit of unemployed and members of the National-Socialist Party earning less than RM.100 monthly, who have to subscribe to their Party organisations. Category 3A is intended for Party members whose income exceeds RM.360 per month. From a statement published by the Treasury of the Labour Front in March, 1935, it appears that during February of that year one million members paid a contribution of RM.0.20, 11.4 million amounts of from RM.0.60 to RM.3.40 and the remainder of the members sums exceeding that figure. At that time total membership was roughly 20 million.

The income of the Labour Front amounted to RM.310 million during the year ended 30th September, 1935. Towards the end of 1935 it was reported that the Labour Front had a capital fund of RM.250 million, of which RM.62 million was in cash or available at three months' notice. Its budget is stated to permit of a monthly accretion of reserves of RM.4 to 5 million. According to information published by the Treasury Department of the Labour Front, RM.82 million per annum is spent on administration, i.e., 27 per cent. of the contributions. Last year the Labour Front erected buildings, chiefly schools, to the value of RM.18 million.

The accompanying chart shows

(a) the headquarter departments of the Labour Front and the bureaux ("Strength through Joy" and "Organisation Office") charged with the social and cultural work in which the Labour Front specialises;

(b) the regional and vocational organisation of the Labour Front.

The Organisation Office is of particular importance, because it is not only the head office of the 14 sections (Reichsämter) which attend to the social and cultural activities of the Labour Front, but because it centralizes the 18 Reich Trades Divisions (Reichsbetriebsgemeinschaften), which are in great measure the functional successors of the former Trade Unions and so in a very real sense the backbone of the whole institution. The following is a brief outline of the duties of the 14 sections of the Organisation Office:—

The Press Section (Presseamt) issues

two political periodicals which are distributed amongst members of the Reich Vocational Associations at a price of 10 Pfgs. per copy;

seventy-three technical periodicals for the various trades, published monthly and distributed gratis to members of the Labour Front,

and superintends

the fortnightly pamphlets of each Trades Division for the instruction of Labour Front Leaders, including the Mutual Trust Councils (Vertrauensräte) (see Chapter 35), and individual factory journals which will eventually be issued by all works with a staff of more than 500.

The technical periodicals and the factory journals are of course publications of long standing which have been adapted to National-Socialism through the Labour Front control.

The Political Schooling Section (Schulungsamt) trains Labour Front Leaders and members of the Mutual Trust Councils.

The Social Section (Sozialamt) deals with social insurance, unemployment and welfare relief, subsidies to enterprises which would otherwise have to close down, etc. The Social Section works in close conjunction with the Reich Labour Exchange and Unemployment Insurance Office (Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung) and its duties also include attention to wage questions (it has assisted in drawing up special tariffs for domestic workers) and measures for workers' safety. In the year ended 30th September, 1935, R.M.100 million, or 34 per cent. of total Labour Front income, was paid out as unemployment, sickness, and accident relief, marriage allowances, and payments to disabled workmen or their dependents.

Propaganda Section (Propaganda Amt): 15 Sound-Film Cars arranged for 5,436 performances last year.

The Health Section (Amt für Volksgesundheit) is chiefly concerned in combating industrial diseases.

Vocational Training Section (Amt für Arbeitsführung und Berufserziehung). This Section aims at placing every young working German in the position for which his qualifications best suit him and in which he would be of the greatest use to the nation as a whole. Vocational training is organized in close co-operation with the Trades Divisions. It is reported that during the year ended 30th September, 1935, 2.3 million employees were given training. An example of the activities of the Section is the establishment of a school for fishermen at Wesermünde in April, 1935. During the slack season sailors are taught net-mending and navigation and given political instruction in National-Socialist doctrine. The Section arranges tests of workers up to 27 years of age as regards their suitability for certain types of occupation and gives advice on the choice of a trade. Supplementary training is given in special classes, and annual competitions organised as a means of raising the standard of labour efficiency. In 1935, 1½ million young workmen took part in the competition; in 1936 the participants, including university students, totalled one million. The outlay on schools and vocational training in 1935 amounted to about R.M.30 million.

The Legal Advice Section (Amt für Rechtsberatungsstellen). During the year ended 30th September, 1935, 2.6 million enquiries were dealt with by this Section and its provincial branches; 90 per cent. of all disputes brought before it were settled amicably.

The Youth Section (Jugendamt) deals with Labour Front juvenile questions and particularly with juvenile vocational training and competitions, holiday camps, homes for apprentices and the selection of Youth Stewards in factories (Jugendbetriebswalter).

The Instruction Section (Amt für Ausbildungswesen) arranges for general assemblies (Betriebsappelle) in works; in July, 1935, such assemblies took place in 7,000 industrial works, i.e., in 10 per cent. of all industrial works in Germany. The Section is also concerned with the establishment of choral and dramatic societies (Werkscharen); clubs of this type comprising 40,000 members have been established in 1,400 works.

The Women's Section (Frauenamt) deals with all questions affecting women within the Labour Front, but more particularly with regard to social welfare. It has only to do with the general question of female labour from the health point of view, such as the exclusion of female workers from those types of labour for which they are constitutionally unfitted.

Housing Section (Heimstättenamt). The title explains itself. Housing work undertaken by the Labour Front is described in Chapter 33.

The Economic Section (Wirtschaftsamt) controls the commercial enterprises of the Labour Front, viz., three insurance companies, several building societies and a bank.

The Labour Research Institute (Arbeitswissenschaftliches Institut) carries out investigations with regard to costing and the rationalisation and standardisation of wage schedules in the various industries.

Section for Social Self-Administration (Amt für Selbstverwaltung).—This Section deals with recommendations submitted by local Labour Committees which are one of the formations under the Joint Self-Administration between Labour and Industry (Selbstverwaltungsgemeinschaft von Arbeit und Wirtschaft) described in Chapter 15.

“Strength through Joy” (Kraft durch Freude).—This department of the Labour Front was established on the 27th November, 1933; its Holiday Travels Section is reported to have enabled five million Labour Front members to spend short holidays at very low cost during the years 1934 and 1935; 200,000 persons took part in sea-trips organised by “Strength through Joy.” An idea of the work done is given by the following holiday programme issued for Berlin early in 1936 :—

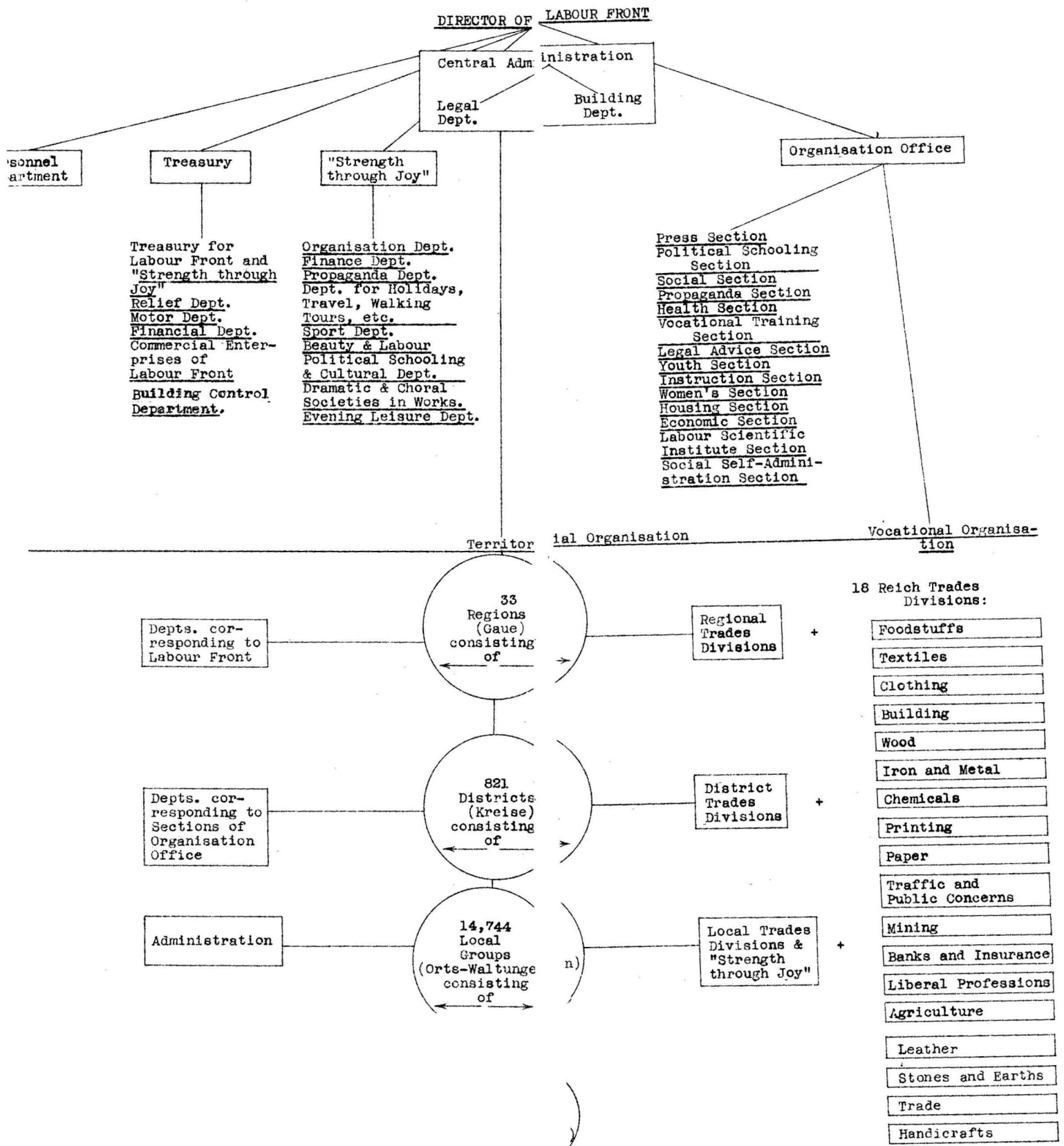
10 days to the Bavarian Alps	RM. 53.50.
10 days to the Silesian mountains	RM. 41.00.
7 days to the Baltic	RM. 31.00.
7 days to the North Sea	RM. 40.50.
7 days to Thuringia	RM. 32.50.
7 days to Lake Constance	RM. 40.50.
7 days to the Rhine	RM. 38.00.
7 days to the Harz Mountains	RM. 28.00.
14 days to East Prussia	RM. 56.00.

These prices include fare, full board and lodging. Accommodation is generally provided in boarding houses or private families and paid for at the rate of RM.2 per person per day for board and lodging. It is reported that two million persons out of the five million used savings vouchers to pay for their holidays.

The “Strength through Joy” Department has instructed a number of architects to work out plans for a new seaside resort on the island of Rügen for the exclusive use of Labour Front members.

Early in 1936 the Labour Front placed orders for the construction of two passenger ships of 20,000 tons each for the sea excursion service of “Strength through Joy.” The ships will have a speed of 15 knots per hour; they will accommodate 1,500 passengers each in two, three and four passenger cabins, and be equipped with all modern conveniences, including swimming baths. The construction of a third ship is under consideration. “Strength through

GERMAN LABOUR FRONT (Deutsche Arbeitsfront)



made up of those of the 18 industries which are represented in the Region, District or Locality.

Koblenz-Trier.	Pomerania.
Cologne-Aix-le-Chapelle.	Saxony.
Kurhessen.	Silesia.
Kurmark (Brandenburg).	Schleswig-Holstein.
Magdeburg-Anhalt.	Swabia.
Main-Franconia.	Southern Hanover-Brunswick.
Mecklenburg-Lübeck.	Thuringia.
Munich-Upper Bavaria.	Weser-Ems.
Eastern Hanover.	Northern Westfalia.
East Prussia.	Southern Westfalia.
Palatinate-Saar.	Württemberg-Hohenzollern.
	Foreign Region.

Each Regional headquarters has departments corresponding to those of the Organisation Office of the Labour Front Headquarters. The 32 inland Labour Front Regions are subdivided into 821 districts (Kreise) which, like the Regions, correspond to the political districts of the National-Socialist Party. The districts are in turn divided into 14,744 Local Groups (Ortswaltungen). These are also the local representatives of "Strength through Joy." The lowest unit in the territorial organisation is the firm (Betriebsgemeinschaft). The Labour Front representative in a firm, the factory or office steward (Betriebswalter) must be a member of the National-Socialist Party and he is usually the head (Zellenwart) of the National-Socialist cell which is formed by the Party members in every firm. In firms with a large staff the cell is divided into several blocks, each under a block-steward (Blockwalter).

The Foreign Region of the Labour Front comprises 360 local groups scattered over four continents, 30,000 members and 21 holiday and Instructional Schooling Homes. As about a million Germans live abroad, the Labour Front Foreign Region management has a wide sphere of activity. Its aims are to provide a rallying point for all Germans abroad, to instil into them National-Socialist principles as adhered to by the Labour Front, and to influence German employers abroad in the direction of an application by them in their enterprises of the principles of the Law for the Regulation of National Labour which is described in Chapter 35. Among other activities the organisation is building up a relief fund by collections from German residents abroad which will be used to assist distressed Germans in foreign countries.

The vocational organisation consists of the 18 Reich Trades Divisions (Reichsbetriebsgemeinschaften) enumerated on the chart as covering all enterprises engaged in :—

Foodstuffs.	Traffic and public concerns.
Textiles.	Mining.
Clothing.	Banks and insurance.
Building.	Liberal professions.
Wood.	Agriculture.
Iron and metal.	Leather.
Chemicals.	Stones and earths.
Printing.	Trade.
Paper.	Handicrafts.

As in the regional organisations, the lowest unit in the vocational organisation is the individual works or firm. Reich Trades Divisions are divided into Sections (Reichsfachgruppen) according to the variety of branches within a given industry. The steward, or leader, of a Reich Trades Division (Reichsbetriebsgemeinschaftswalter) is assisted by a deputy and an Advisory Council consisting of the stewards of the Sections (Fachgruppenwalter). The vocational classification is preserved in the territorial organisation in that each Region, District and Local Group also forms Regional, District or Local Trade Divisions of those of the 18 industries which are represented in the region, district or locality respectively.

The Reich Trades Divisions embody the idea of solidarity of productive activities between management and staff. No recognition of conflicting interests between management and staff is allowed in the Labour Front. The Reich Trades Divisions must discuss and, with the help of the Advisory Councils, as far as possible settle within themselves economic-social questions affecting their branch of industry, so that only a minimum of cases has to be passed to the Labour Trustee (Treuhand der Arbeit) for settlement by him under the Law for the Regulation of National Labour. The Reich Trades Divisions work in close relationship with all Sections of the Organisation Office which concern their particular branch of trade, and carry out their instructions. Co-operation is particularly evident as regards vocational training, political schooling and a number of social questions, such as annual holidays, protection against dismissal and maintenance of wages.

The Labour Front has a Court of Discipline for offences committed by stewards of the Labour Front and "Strength through Joy". The Court also deals with all cases concerning exclusion of members from the Labour Front, and their re-admittance into that organisation.

CHAPTER XXXV.

LABOUR LEGISLATION.

The Law for the Regulation of National Labour of the 20th January, 1934, is divided into seven Sections, the first five of which are of particular interest. These deal with:—

- I.—The Leader and Mutual Trust Councils of a Firm.
- II.—Labour Trustees.
- III.—Works-Regulations and Wage-Schedules.
- IV.—Social Honour Courts.
- V.—Protection against dismissal.

Employment in the Public Service is reserved for a separate law and is therefore not subject to the following provisions.

The main purpose of the law is to abolish class warfare and accordingly its opening paragraphs deal with the relations between

employer—who is described as the “ leader ” of the firm—and employees, who are called the suite of the leader. The law provides that the employer and his staff together shall form a unit, the firm (Betriebsgemeinschaft), and the relations of all members of the unit to each other shall be governed by a spirit of mutual confidence, respect and comradeship. They must work together for the furtherance of the purposes of the firm and for the benefit of the Nation.

Mutual Trust Councils.—One of the provisions of the Law for the Regulation of National Labour is the formation of Mutual Trust Councils (Vertrauensrat) in all firms with more than 20 employees. These councils are composed of the employer, or leader of the firm (Betriebsführer), and of from two to 10 members of the suite. The maximum number applies only to firms with more than 1,600 employed. The employer, in conjunction with the head of the works cell (group of Party members within the firm) draws up a list of candidates for the Mutual Trust Council, and the workers vote on the list by secret ballot. Voting takes place once a year, usually in March or April. Members of the Mutual Trust Council cannot be given notice by their employer for the duration of membership. Conditions of membership are the possession of exemplary character, political reliability and membership of the Labour Front, corporate membership being sufficient. The last mentioned condition precludes any Jewish employee from being elected to the Council, but it does not apply to the leader of the firm. Women may also be elected members of the Council. All staff-members of the Council must be over 25 years of age, must have belonged to the staff for at least 12 months and must have worked for not less than two years in the same type of business. The Labour Trustee (Treuhandler der Arbeit) can under certain conditions intervene and himself appoint members of the council, for instance if a list of candidates cannot be drawn up because there is no works cell in the firm, or if agreement regarding the list of candidates cannot be reached by the leader of the firm and the head of the cell, or if the list is refused by vote, i.e. none of the candidates obtains a majority. The council members act in an honorary capacity, but receive their usual salary or wages for the time taken up by their duties as council members. The council functions merely in an advisory capacity; its chief object is to strengthen mutual confidence and to act as intermediary between employer and employed. In particular the council is expected to

(1) discuss measures directed towards increasing efficiency of the firm;

(2) assist in the constitution and application of the works regulation (introduction of new methods of work and wage systems; improvement of protection against accidents, etc.).

(3) use their efforts with a view to settling any disputes between members of the staff, regarding, for instance, interpretation of the works-regulation, annual holidays and protests against dismissals ;

(4) discuss the fixing of fines, the imposition of which may be provided for in the works-regulation. Fines may be imposed for the following types of offences : smoking on the works premises, uncleanliness, unpunctuality, waste of materials or electric power, non-observance of the regulations concerning prevention of accidents. Fines may not exceed half the daily earnings of the offender ; they are handed over to National-Socialist welfare funds.

In the case of associated works belonging to one employer, members of the various Mutual Trust Councils form an Advisory Council to make recommendations on social questions such as the erection of workers' dwellings. The duties of the Mutual Trust Councils in the individual enterprises are not affected by the Advisory Council.

II. The Labour Trustee.—The Labour Trustees are Reich officials of eminent importance ; on them falls the responsible task of maintaining industrial peace. Their decisions have taken the place of the bargaining between the old Employers' Associations and the former Trade Unions. It is one of the chief aims of the Law for the Regulation of National Labour that all labour questions shall be settled within the individual concern and that only when this has proved impossible shall reference be made to the Labour Trustee, whose decision is final and binding. Labour Trustees are the politico-social representatives of the Government and as such they are the authority on all labour questions in their districts. In order to fulfil their tasks they have been given wide powers under the Law and have, in particular, been authorised

(1) to supervise the constitution and actions of Mutual Trust Councils ;

(2) to lay down general rules for works-regulations (*Betrieb-sordnungen*) and individual contracts of employment (*Einzelar-beitsvertrag*). The general rules are issued as recommendations and employers are not compelled strictly to adhere to them, but may take into consideration the conditions obtaining in their individual firms. The general rules have not the force of law and no legal claim can be based upon them. On the other hand, an employer in drawing up the works-regulation may only deviate from the general rules if he considers that their application in his business would be detrimental to it and to his employees. Wilful departure from the general rules may lead to penalties decreed by the Social Court of Honour. The general rules of each Labour Trustee are published in the Labour Gazette (*Reichsarbeitsblatt*) ;

(3) to issue wage-schedules. For details see under III below;

(4) to approve of collective dismissals. If an employer wishes to dismiss over 10 per cent. of his staff without re-employing substitutes, he is bound to give notice in writing of his intention to the Labour Trustee of his district who will examine the circumstances of the business in order to decide whether the dismissals are justified. Dismissal cannot take place until the Labour Trustee has given his approval;

(5) to report to the Ministry of Labour on politico-social developments.

In principle Labour Trustees are alone and fully responsible for the decisions they make, but they are assisted in arriving at decisions by two advisory bodies of experts, viz.

(a) a permanent Council (Sachverständigenbeirat); consisting of not more than 16 members. The Council advises the Labour Trustee in general matters and on questions of principle, such as legal questions, the advisability of introducing piece-work, market fluctuations, credit difficulties of employers, the spirit of the workers, etc. The Council is the link between the Labour Trustee and industry. Its members must represent all branches of industry in the district. Three-fourths of the members must be chosen by the Labour Trustee from lists of candidates nominated by the Labour Front. The latter recommends for each branch of industry five employers and five Mutual Trust Council members. One-fourth of the members of the Council may be appointed by the Labour Trustee from among persons in his district whom he considers suitable;

(b) temporary Committees of Experts (Sachverständigenausschuss) consisting of not more than eight members. The Labour Trustee may appoint such a Committee for the purpose of advising him in individual cases, in particular as regards the drawing up of wage-schedules which include labour conditions. The Labour Trustee can appoint the members at his own discretion according to the matter to be discussed, but the members must represent an equal proportion of employers and employed.

The members of both advisory bodies are called upon by the Labour Trustee before beginning their work to swear that they will exercise their functions as experts impartially and conscientiously to the best of their ability, refrain from pursuing any private interests and strive only for the welfare of the nation. They act in an honorary capacity and are merely compensated for any expenses incurred and loss of earnings.

There are 14 Labour Trustees, one in each of the following Industrial Districts (Wirtschaftsbezirke) which were fixed in an

Executive Regulation of the 28th March, 1935, supplementary to the Labour Law :—

<i>District.</i>	<i>Seat of Labour Trustees.</i>
East Prussia	Königsberg.
Silesia	Breslau.
Brandenburg	Berlin.
Pomerania	Stettin.
Schleswig-Holstein	Hamburg.
Lower Saxony	Hanover.
Westfalia	Essen.
Rhineland	Cologne.
Hesse	Frankfort.
Central Germany	Magdeburg.
Saxony	Dresden.
Bavaria	Munich.
South-Western Germany	Karlsruhe.
Saar-Palatinate	Saarbrücken.

The Minister of Labour may appoint special Labour Trustees (Sondertreuhänder) for performing tasks which do not fall within the scope of the regular Labour Trustees. Such Special Labour Trustees are appointed for the settlement of questions affecting one particular branch of industry, while the Labour Trustees are competent for industrial territories.

III. Works-Regulations (Betriebsordnung) and Wage-Schedules (Tarifordnung).—In every firm employing at least 20 salaried and wage-earning employees works-regulations must be issued in writing by the employer. The works-regulations must contain details regarding

- (a) Working hours.
- (b) Wages and salaries.
- (c) Schedules for calculating piece-work.
- (d) Type, amount and exaction of fines.
- (e) grounds on which employment can be terminated without notice.
- (f) utilisation of remuneration forfeited by the unlawful termination of employment.

The works-regulations are in effect law; in drawing up the regulations the leader of the firm exercises legislative power delegated to him by law.

The works-regulation must be submitted for discussion by the Mutual Trust Council before it is issued, but the leader of the firm alone decides on its contents and final form. He may change or suspend the works-regulation at any time, but if the new regulation is contrary to established customs or social honour it will be declared null and void. If the new regulation is incompatible with the economic or social conditions of the business, the Labour Trustee can at the request of the majority of the Mutual Trust Council put the old works-regulation again into force.

Wage-Schedules.—If for the protection of the employed in a number of firms within the Labour Trustee's district the framing of minimum provisions for regulating the conditions of work is

essential, the Labour Trustee can issue wage-schedules (Tarifordnungen) which are legally equal to the wage-tariffs (Tarifverträge) formerly fixed between Employers' Associations and Trades Unions. A great many of the old wage-tariffs are still in force, as it was not considered expedient to abolish all of them when the Law for the Regulation of National Law became operative. It was, therefore, decided to maintain in the form of wage-schedules those wage-tariffs which were still valid on the 30th April, 1934, until such time as the Labour Trustees should abolish or change them. It was reported that the Labour Trustees issued 1,700 wage-schedules and sets of general rules during 1934 and 1935. The wage-schedules are also, in effect, law and as such take precedence over the works-regulations. Any provisions contained in the latter which are contrary to the wage-schedules are invalid. The wages fixed in the wage-schedules must be adhered to by employers on pain of making themselves liable to fines or even imprisonment. In principle, wage-schedules are issued only when absolutely essential, but it is left to the discretion of the Labour Trustees, or Minister of Labour, to decide whether a necessity for their issue exists. The wage-schedule must be discussed by the Labour Trustee with a Committee of Experts, but the decision as to the contents of the wage-schedule rests entirely with the Labour Trustee. The wage-schedule must be published in the Labour Gazette (Reichsarbeitsblatt) and must, in addition, be entered in the tariff register kept on record at the Ministry of Labour.

IV. Courts of Social Honour.—Social Honour, as defined in the Law, demands of each person working in a firm that he fulfil conscientiously the duties which devolve upon him with the firm, that by his conduct he show himself to be worthy of the respect which is due to his position in the firm and, particularly, that he devote all his powers to the service of the firm and subordinate himself to the common good. Social honour must not be confused with professional honour; while social honour is loyalty towards the particular concern, professional honour is loyalty towards the particular profession or occupation. Offences against social honour are dealt with by the Disciplinary Courts of Social Honour (Soziales Ehrengericht) of which there is one in each Industrial District. Officials and members of the Armed Forces are not subject to these Courts. The latter consist of a President who is a judge (in Germany a Government official) and two assessors one of whom must be an employer and the other a member of a Mutual Trust Council. The assessors are chosen by the President from a list of candidates nominated by the Labour Front. Offences against Social Honour are deemed to have been committed

(1) by employers, i.e., leaders of a firm or other persons in a position of authority, if they abuse their power in the firm, maliciously exploit the workers or insult their honour;

(2) by any of the suite who endanger the peace of the firm by malicious incitement of their comrades; if, when acting as advisers, they deliberately arrogate to themselves undue rights of interference with the conduct of the firm or if they continuously and maliciously disturb the *esprit de corps* within the firm;

(3) by members of the suite if they repeatedly and frivolously address unfounded complaints or proposals to the Labour Trustee or obstinately act in defiance of his written instructions;

(4) by members of the Mutual Trust Council if they communicate without authority to third parties confidential information, manufacturing or business secrets, which may have come to their knowledge in the execution of their duties and which shall have been designated as confidential.

The penalties which can be imposed by the Courts of Honour are:—warning; reprimand; fines up to R.M.10,000; denial of the qualification to be leader of a firm or member of the Mutual Trust Council; dismissal from employment. The execution of a judgment imposing a fine is carried out by the Labour Trustee; if the judgment withdraws the qualification to be leader of a firm or member of the Mutual Trust Council or entails dismissal, the Labour Trustee must supervise its execution. Disqualification from leadership applies only to leadership *for the purposes of the Labour Law* and does not affect the individual's position in any other way; he can continue to be an employer. Disqualification to be member of the Mutual Trust Council must result in immediate loss of office. If the judgment decrees dismissal from employment, the employer is compelled to dismiss the worker or at least put him on to work of an inferior kind. Accusation of the violation of social honour by a member of a concern must be made in writing, with statement of proof, to the Labour Trustee in whose district the concern is situated. The Labour Trustee must examine the facts, must hear the accused and decide whether the Court of Honour shall be appealed to. Upon the application of the Labour Trustee the case must be decided upon by the Court of Honour in the latter's district, but the President of the Court may refuse the application for the institution of proceedings as being unfounded. The Labour Trustee may always lodge appeals against decisions of the Court of Honour, but the accused only under certain conditions. The appeal is decided upon by the Court of Honour of the Reich (Reichsehrengerichtshof). During 1935, 234 cases were dealt with by the Courts of Honour.

V. Protection against Dismissal.—If a person employed under contract is given notice of dismissal after having worked in the same firm for one year he can—provided the firm employs at least 10 persons—apply to the Labour Court (Arbeitsgericht) for cancellation of the notice, if the latter is unduly harsh and is

not caused by the position of the firm. Only the person under notice can apply to the Labour Court; if there is a Mutual Trust Council in the firm the application must be accompanied by a certificate of the Council to the effect that the matter has been discussed by the latter without result. If the Labour Court decrees withdrawal of the notice, it must include in the sentence payment of compensation to take effect if the employer refuses to revoke dismissal.

Employment Book (Arbeitsbuch).—The Minister of Labour in a law of the 26th February, 1935, decreed the introduction of an Employment Book; the issue of the books by Labour Exchanges (Arbeitsämter) was begun on the 1st June, 1935, and as from the 1st March, 1936, no clerical employee or manual worker may be hired who is not in the possession of an employment book properly issued and entered up. The branches of employment covered by the law comprise practically the whole field of large-scale industry, wholesale and retail trade and also banking institutions. The law also applies to apprentices and covers all recipients of wages or salaries less than R.M.1,000 per month, totalling about 21 million persons.

The Employment Book is intended to be a record of the working career of the owner, from the beginning of apprenticeship onwards, and every change in employment must be noted in it by the employer. The book shall not contain any entries as to conduct or capabilities of the owner.

The President of the Reich Labour Exchange and Unemployment Insurance Office, generally known as "Reichsanstalt", has stated that the Employment Book is intended to assist his office, through local Labour Exchanges, in placing the right labourer in the right place, in reducing the number of candidates for trades which are already overcrowded, in stopping flight from the land, and in preventing workers from having two sources of earnings or from earning money when they are on the dole.

Other Labour legislation issued under the National-Socialist regime includes

(a) the Decree prohibiting, except under sanction of the Minister of Economic Affairs, the emigration of skilled workmen and technicians (Verordnung über Vermittlung, Anwerbung und Verpflichtung von Arbeitnehmern nach dem Ausland) which entered into force on the 1st September, 1935;

(b) the Law for the Regulation of the Supply of Labour (Anordnung über die Regelung des Arbeitseinsatzes) of the 15th May, 1934, which empowered the President of the Reich Labour Exchange and Unemployment Insurance Office to designate districts with high unemployment as "closed zones" against migratory labour (Berlin, Hamburg and Bremen have

been declared "closed zones") and to forbid the engagement of agricultural workers in other branches of industry;

(c) the Decree of the 10th August, 1934, concerning the Allotment of Labour (Verordnung über die Verteilung von Arbeitskräften) provided that the Reich Labour Exchange and Unemployment Insurance Office is the only body entitled to make regulations governing the distribution of labour over the employment available.

(d) As a result of the above mentioned decree of the 10th August, 1934, the President of the Reich Labour Exchange and Unemployment Insurance Office issued on the 28th August, 1934, an Order concerning the Allotment of Labour (Anordnung über die Verteilung von Arbeitskräften). This order stipulates that all firms and public works (agriculture, forestry and domestic service are excepted) must, if called upon by the Labour Office of their district exchange young workers (male and female) under 25 years of age for older unemployed, preference being given to married men with large families. It was made obligatory on the firms concerned, in conjunction with the relevant Labour Office, to make arrangements for employment of the displaced young workers in agriculture, domestic service or the Labour Service Corps.

(e) A law of the 1st December, 1935 (Gesetz über Arbeitsvermittlung, Berufsberatung und Lehrstellenvermittlung) conferred upon the Reich Labour Exchange and Unemployment Insurance Office the sole right of carrying on employment agency work in Germany. Formerly private agencies were merely supervised by the Reich Labour Exchange, now they may act only at the request and on behalf of the latter.

CHAPTER XXXVI.

Insurance; Welfare Measures; Winter Relief.

Insurance.—The social insurance services of Germany date from 1883 and now cover sickness, accident, old age and incapacity, and unemployment. Old age and incapacity insurance comprises three separate funds, the main old age insurance scheme, a fund with different scales of contribution, etc., for clerical workers, and a special organisation for the pensions insurance of miners. As a result of increased employment and smaller calls for help on all of these organisations, the finances and membership returns of all of them have shown considerable improvement since 1932. As a result of the law of 17th May, 1934, the old age and incapacity pensions systems were reorganised, but the new scheme was not put into immediate operation as it was not deemed expedient to burden industry with the higher scale of contributions provided for. At

the end of 1935 it was announced that the higher scale of contribution and the full operation of the reorganisation would not begin until the contribution to unemployment insurance could be reduced by the same percentage as the other contributions would be raised. Miners' pensions insurance was at the end of 1935 still in process of reorganisation and was operating with a slight deficit. Accident insurance at the end of 1935 was improving its financial situation, but sickness insurance was then still living on capital although the outlook was not unfavourable.

All the measures taken for the reorganisation of the social insurance system are based on the law of 7th December, 1933, which laid down as a general principle the levy of premiums to meet the full expectation of expenditure. Other declared objects of social insurance legislation have been the maintenance of the independence of the various insurance organisations, combined with measures to counteract any wasteful results of the diffusion of their efforts, more intimate contact between Government administration and the social insurance bodies, strict and effective financial control, furtherance of the leadership principle and the establishment of a due sphere of influence for the medical profession in German life. No attempt, it is declared, will be made to centralise the whole insurance system into one organisation; the historical and traditional independence of the six institutions enumerated above will be respected in the Third Reich and even in the sickness insurance system it is not proposed to abolish the numerous separate local offices in favour of a master central organisation.

The following is a summary review of each of the social insurance organisations with some account of the administration, scope, method of operation and benefits attached to each :—

Sickness.—The sickness insurance system is built up on local offices, covering all cities and all industries. Membership of a Sickness Insurance Office is obligatory for all workmen, apprentices, casual labourers, sailors and all other employees and home workers whose yearly earnings do not exceed R.M.3,600 per annum. With minor exceptions the obligatory membership covers the whole working population. In addition to obligatory members persons with an income less than R.M.3,600 per annum may become voluntary members if they are employed without wages, are members of an employer's family who work for no wages in the employer's business, or if they regularly employ at least two persons subject to obligatory membership.

No fixed rates of contribution have been determined by law; the statutes of each Sickness Insurance Office determine the amount of contribution of members as a percentage of average wages earned. Employees pay two-thirds and employers one-third of the contributions levied per member. Contributions are not payable during incapacity from work or sickness.

At the present time a fair sample of the sickness insurance contributions payable are those in vogue early in 1936 in Berlin :—

	<i>Monthly wage.</i>			<i>Monthly contribution.</i>	<i>Of which payable by</i>	
					<i>Employees.</i>	<i>Employers</i>
Up to RM.	45-00	...	...	RM. 1-98	RM. 1-32	RM. 0-66
„	RM. 75-00	...	...	RM. 3-30	RM. 2-20	RM. 1-10
„	RM. 105-00	...	...	RM. 4-95	RM. 3-30	RM. 1-65
„	RM. 135-00	...	...	RM. 6-60	RM. 4-40	RM. 2-20
„	RM. 165-00	...	...	RM. 8-25	RM. 5-50	RM. 2-75
„	RM. 195-00	...	...	RM. 9-90	RM. 6-60	RM. 3-30
„	RM. 225-00	...	...	RM. 11-55	RM. 7-70	RM. 3-85
„	RM. 255-00	...	...	RM. 13-20	RM. 8-80	RM. 4-40
„	RM. 285-00	...	...	RM. 14-85	RM. 9-90	RM. 4-95
„	RM. 300-00	...	...	RM. 16-50	RM. 11-00	RM. 5-50

The benefits accruing from sickness insurance are :—medical attention for 183 days from the first day of illness, subject to a payment of 25 Pfennigs by the insured person in respect of each prescription on which medicine, etc., is purchased ; sickness benefit amounting to half basic wages as from the 4th day of incapacitation from work. Hospital treatment may be granted under the heading of medical treatment, but cannot legally be demanded. With the approval of a supervisory insurance office medical attention may be extended to 52 weeks and the sickness benefit may be increased by 10 per cent. of the basic wage in respect of a wife or husband and 5 per cent. for each dependent. After six weeks of incapacitation the benefit may be raised to 60 per cent. of basic wages, but the total amount payable in sickness benefit may not exceed 75 per cent. of basic wages.

Insured persons who have been insured for at least three of the previous six months are entitled to medical attention for their husband or wife respectively and children for a period of 13 weeks, paying half the cost of medicine, etc. This period can be extended to 26 weeks. On the death of an insured person a payment of 20 days' wages is made. This amount may be doubled and the minimum payable may be fixed at RM.50. Benefits are also payable to insured persons in the case of the death of a dependent. Female insured persons are entitled to midwifery assistance if they had been paying contributions for at least ten months during the last two years. A sum of RM.10 and weekly payments at the same rate as sickness benefit, but not less than 50 Pfennigs per day, is paid for four weeks before and six weeks after child-birth. A further payment amounting to half the sickness benefit and not less than 25 Pfennigs per day is made for 12 weeks to mothers who suckle their children. All these benefits may be replaced by maintenance in a home if necessary.

Accident Insurance.—Membership of Accident Insurance is obligatory on all industrial, transport and commercial enterprises, including hospitals, welfare centres, theatres, fire brigades, farms and ships. All persons employed in such enterprises, even on most

temporary occasions, are subject to the Accident Insurance Regulations. Contributions are paid only by the employer and the scale is fixed by the Insurance Office to which he belongs according to the general conditions and degree of risk associated with labour in his particular enterprise. Benefits include medical attention in case of accident, and hospital treatment if necessary. During the period of incapacitation from work payment is made to an amount not exceeding two-thirds of average yearly earnings according to the degree of incapacitation. RM.7,200 per annum is the maximum income on which the calculation may be based. Additions are made to these payments in proportion to the number of dependents; total payments may not exceed 100 per cent. of the yearly income while in work. Payments do not begin until the sickness insurance claims have been exhausted, i.e., in the 27th week after the accident. In the case of death a payment of one-fifteenth of yearly earnings with a minimum of RM.50 is paid out and dependents receive a pension varying from 20 per cent. of yearly earnings in the case of widows and 20 per cent. in the case of each child under 15 to a total of 20 per cent. for dependents of a senior generation (parents and grandparents). Total payments to dependents may not exceed two-thirds of yearly earnings.

Old Age and Incapacitation Insurance.—All employees who do not come under the obligations of the insurance system for office employees, including members of the police and military forces at their own request, are members of the Old Age and Incapacitation Insurance System. The funds of the organisation are raised from fixed contributions of the Reich in the case of each pension and an annual Reich contribution of RM.200 million together with contributions paid by employers and employees in equal proportions. (In the lowest grade of employment, however, the employer pays the whole contribution.) The contributions are made according to eight wage classes as follows :—

<i>Wage class.</i>				<i>Weekly earnings.</i>		<i>Contribution.</i>
				RM.		RM.
I	...	...	...	Up to 6	...	0.30
II	...	...	...	from 6-12	...	0.60
III	...	...	...	" 12-18	...	0.90
IV	...	...	...	" 18-24	...	1.20
V	...	...	...	" 24-30	...	1.50
VI	...	...	...	" 30-36	...	1.80
VII	...	...	...	" 36-42	...	2.10
VIII	...	...	...	Over 42	...	2.40

At the age of 65 or on incapacitation from work, pensions are paid from this fund subject to the following conditions :—Incapacitation is defined as the inability to earn one-third of the amount which can normally be earned by a physically and mentally healthy person. Qualification for benefits implies 250 weekly contributions or in the case of old age pensions 750 weekly contributions, including at least 20 payments in the last two years. The pension itself

consists of a basic amount of RM.72 per annum, a supplement of RM.90 per annum for each child under 15 years and a further supplement according to the number and amount of the contributions made to the fund.

Insurance for Office Employees.—This fund is centralised on a Berlin Office and includes all clerical employees, including managers, who do not earn more than RM.7,200 per annum and are under 60 years of age at the time of first insurance. In contrast with the Old Age and Incapacitation Insurance, there are no Reich contributions. The funds of the organisation are provided entirely by contributions paid half by employers and employees. In the case of the lowest grade of employment, the whole contribution is paid by the employer. Contributions vary according to seven salary grades as follows :—

<i>Salary grade.</i>	<i>Monthly earnings.</i>			<i>Monthly contribution.</i>
	RM.			RM.
A	Up to 50	...	...	2
B	From 50 up to 100	...	...	4
C	" 100	" 200	...	8
D	" 200	" 300	...	12
E	" 300	" 400	...	16
F	" 400	" 500	...	20
G	Over 500	...	...	25

At the age of 65 or on incapacitation from work, pensions are paid on the basis of a minimum of RM.360 per annum with a supplement for children of RM.90 and a further supplement dependent on the number and amount of contributions paid into the fund. From this insurance fund, as well as from the Old Age and Incapacitation Fund, grants are made for prophylactic treatment and insured persons may be sent to Convalescent Homes in order to prevent incapacitation.

Unemployment Insurance.—This fund is centralised on the Reich Labour Exchange and Unemployment Insurance Office, which has provincial and local offices throughout the Reich. All those persons who are obligatory members of the sickness insurance office are automatically also subjects for Unemployment Insurance except home workers, which are cases for individual decision, and employees in agriculture, forestry, coastal and inland fisheries, domestic servants, apprentices and casual labourers or employees. Contributions are paid half and half by employer and employee, and are collected by the Sickness Insurance Offices. Contributions are determined by a key percentage of the basic wage on which sickness insurance contributions are determined. In March, 1936, 6½ per cent. of basic wage was the amount of contribution; the rate had been stable since 1932. Before an application for benefit under the scheme can be entertained payment must have been made of at least 26 contributions in the year before claiming benefit; where benefit is claimed for the first time 52 weekly contributions must

have been paid in the past two years. Assistance may be granted for 20 weeks as a general rule, 16 weeks in seasonal trades. The amount of assistance varies according to the wage class of the insured person and local conditions. Account must also be taken of payments from other social funds. Unemployed persons under 21 years of age only receive benefit if they have no claim to assistance from their family. In addition to assistance from the unemployment insurance fund, special emergency payment is made to unemployed who have exhausted the legal benefits to which they are entitled under their insurance. This uncovenanted benefit is paid up to a total period of 58 weeks' unemployment insurance assistance. Unemployed over 40 may, however, have the benefit extended for a further 13 weeks. Sickness insurance continues to run during unemployment. The following table shows contributions payable early in 1936 in Berlin :—

	Monthly wage.		Monthly	Of which payable by	
			contribution.	Employee.	Employer.
	R.M.		R.M.	R.M.	R.M.
Up to	45.00	...	2.34	1.17	1.17
„	75.00	...	3.90	1.95	1.95
„	105.00	...	5.85	2.92½	2.92½
„	135.00	...	7.80	3.90	3.90
„	165.00	...	9.75	4.87½	4.87½
„	195.00	...	11.70	5.85	5.85
„	225.00	...	13.65	6.82½	6.82½
„	255.00	...	15.60	7.80	7.80
„	285.00	...	17.55	8.77½	8.77½
„	300.00	...	19.50	9.75	9.75

Short-time work grants can be made from the unemployment insurance funds at the instance of the central administration and with the approval of the Reich Minister for Labour, but short-time grants plus actual earnings may not exceed five-sixths of the total normal earnings. This short-time clause has been heavily called upon for the benefit of textile industry workers since the introduction of the Textile Fibre Decree.

Welfare Measures.—In a State so conscious of social problems as the Third Reich, the organisation of public welfare institutions, in which Germany was rich and advanced long before the advent of the National Socialist regime, is a matter of prime importance. Voluntary welfare work is now centred on the National Socialist People's Welfare Organisation (N.S.V.), which comprises a variety of activities such as "Mother and Child," Child Welfare, Unemployment Assistance, War Victim Relief, and care for the *rentier*, aged and infirm. This organisation is the largest social welfare organisation in the world and has a membership of 4,700,000. According to an announcement at the National Socialist Party Congress in Nuremberg in September, 1935, over one and a half million cases were dealt with by the "Mother and Child" branch of the Organisation in the first half of 1935. In the same period

over 700,000 applications for assistance were received; nearly 300,000 expectant mothers, including over 11,000 single women, were given help. The Organisation includes nearly 1,300 crèches and has spent over RM.13 million on the purchase of over 500,000 beds.

Winter Relief.—A magnificent example of the technique of National Socialism and of the importance given to social matters in the Party Programme are the organisation and results achieved by the three annual Winter Relief campaigns carried out under the aegis of the National Socialist Party Organisation. "Winter Relief" is a campaign conducted from 1st October to 1st April annually, and comprises a series of money raising activities whereby on a basis of charitable donation, reinforced by moral pressure, enormous sums are raised and distributed for the help of the needy during the winter. Once a month every German family is expected to have a one-dish Sunday dinner; the equivalent in money of the saving effected is collected at the door by the local delegate authorised to do so. In addition collections are regularly made in the streets, usually on Sundays, throughout the winter. Various days are allotted in turn to national organisations such as the S.A., the Hitler Youth, the Labour Front, Civil Servants, the Press, Stage, and the Film, Sports Associations, etc., etc., and on occasion publicity is ensured for the efforts of the street collectors by the presence among them of not only film stars, athletic notabilities, etc., but also of Cabinet members and Party chiefs. There is a system of door-to-door collections for the Winter Relief Funds, which is supplemented and replaced in many cases by the sale of door placards. These placards are shown on the front door and relieve houseowners of the necessity of answering the regular summons of collectors at the door. They are issued in return for regular contributions based on income. For the winter 1935-6 door placards freeing the holders from the attention of collectors were issued to (1) recipients of wages and salaries who throughout the Winter Relief season paid 10 per cent. of the amount of their wages tax to the Winter Relief Fund or in particularly needy cases a minimum of 25 Pfennigs per month, (2) to the heads of families in receipt of a steady income who in addition to the above made a monthly contribution amounting to 3 per cent. of their 1934 income tax—and so on, with scales of contributions expected from business people and professional men in great detail according to income. A very popular Winter Relief Lottery has also been introduced; some 25 million sixpenny chances are sold annually in return for prizes and administrative costs amounting to a fraction of the sum received.

At the Party Congress in Nuremberg in September, 1935, the director of the Central Office for Social Welfare and head of the Winter Relief Organisation announced that the 1933-4 campaign had raised RM.358 million and that nearly 17 million human beings

had benefited. The 1934-5 campaign brought in RM.367 million, which were distributed over 14 million individuals. Receipts for 1935-6 were estimated at RM.330 million. The cost of administration of the Winter Relief Fund is claimed to be less than 1 per cent. Expenditure is chiefly on food, fuel and clothing. Early in January, 1936, it was announced that 16 per cent. of total German domestic fuel consumption and 20 per cent. of fish landings were purchased and distributed by the Winter Relief Organisation. Fifteen million cwts. of potatoes were distributed in the course of one winter. It is reported that nearly 70,000 foreigners and over 29,000 Jews benefited from the Winter Relief in the season 1934-5. On grounds of general principle the administration of Winter Relief for Jews has been turned over to Jewish welfare associations, which, however, remain under the control of the Winter Relief Administration.

CHAPTER XXXVII.

Unemployment ; Wages ; Cost of Living.

Unemployment.—Appendix XX gives unemployment figures at intervals corresponding to the high and low points of unemployment in each year from January, 1933, till January, 1936. Between January, 1933, and August, 1935, the number of unemployed was reduced from over six millions to less than one and three-quarter millions. Among the measures which contributed to this striking success were :—

(a) a draining of the youthful unemployed to spheres of activity with a social rather than a commercial basis, e.g. the Labour Service Corps, the Land Help and the Land Year.

(b) the reintroduction of universal obligation to military service.

(c) measures of intervention and control in the labour market, including the compulsory return of agricultural workers to the land, the displacement where possible of women workers by men, and the displacement of young men who could be absorbed by some of the organisations mentioned in the foregoing paragraph by older workers responsible for families. It has been calculated that the Law of 28th August, 1934 (see Chapter 35) replaced 110,000 youthful employees by the same number of older men, the youths being kept off the unemployment register through enrolment in the social organisations referred to above.

(d) measures to prevent " double earnings ", including independent economic existences for man and wife, and " black " leisure time earnings. The basic purpose was to stretch the available employment so as to cover as many family units as possible.

(e) Work Creation as such. The Government encouraged by precept, by guarantees, and by grants in aid, the setting up of a national scheme of work creation; that is, enterprise for the sake of employment and not for the sake of immediate or even foreseeable economic returns. Nearly RM.3,000 million were spent by the Reich during the period from 1932 to 1935 on programmes for the creation of work. The schemes approved and taken in hand included housing alterations and decoration work, land improvements, extension and improvement of the inland waterway and harbour system, extension and improvement of water supply and water power systems, the erection of new buildings by the State, the Corporative Organisations, and the National Socialist Party, the grandiose scheme of a network of highways reserved exclusively for motor traffic, and bold programmes for a renewal and extension of plant and equipment by the National Railways and the Postal Administration.

(f) This programme of work creation was reinforced by the agricultural Battle of Production which increased employment on the land and resulted in increased orders from agriculture to industry.

(g) Gradually the work creation programme yielded pride of place as the mainspring of the drive against unemployment to the industrial boom arising from the national rearmament programme, and by the end of 1935 this phase of development was the one most in evidence. Actually in the course of 1935 there developed a positive shortage of skilled labour in a number of industries, especially in building, constructional engineering and in miscellaneous engineering branches, such as the motor vehicle industry.

A comparison of the various sets of unemployment statistics tabled in Appendix XX, shows that the seasonal increase in unemployment which normally takes place between the early autumn and the end of January was in 1933-4 more than offset by increased employment. In 1934-5 the recession was definitely only a seasonal one, but in the winter 1935-6, the increase in unemployment was spread over every single branch of industry, except amusements. By far the greatest proportion of the increase, however, still fell to trade branches specially subject to seasonal fluctuations, such as building and open-air constructional work. Some observers were inclined, perhaps hastily, to draw from the serious unemployment increase towards the end of 1935 the conclusion that the peak of the industrial boom had been reached, if not passed. It has been authoritatively stated that the figure of 1.8 million then reported comprised about 600,000 transient unemployed, a not unreasonable figure for the fluctuating pool from which the various industries must recruit according to needs. Another 600,000 might be described as unemployables—workers who had lost their skill

or for miscellaneous reasons such as age or illness were not likely ever to get useful employment in industry. The remaining third, according to this analysis, consisted of individuals who in practice are not really unemployed,—part-time workers, semi-independents, etc., who are registered as unemployed for statistical purposes.

According to the statistics of the Sickness Insurance, the number of persons in employment in Germany at various dates since 1931 including the Land Help Organisation and Emergency Programme workers was:—

December, 1931	... 12,440,000	October, 1934	... 15,637,000
December, 1932	... 11,983,000	January, 1935	... 14,409,000
February, 1933	... 11,533,000	August, 1935	... 16,690,000
January, 1934	... 13,518,000	January, 1936	... 15,672,000

Of the above figures only the last includes the Saar Territory.

Wages.—The policy of the Government has been to keep both wages and prices steady. Nominal wages have remained practically stable since 1932. The average rate in the highest scale of the 17 statistical branches of industry covered by statistics were as follows:—

		<i>Pfennigs per hour.</i>		
		<i>1st January,</i>	<i>1st January,</i>	<i>1st December,</i>
		<i>1934.</i>	<i>1935.</i>	<i>1935.</i>
Skilled male labour	... ..	78·3	78·3	78·3
Male trained workmen	... ..	68·1	68·3	68·3
Male unskilled labour	... ..	62·1	62·2	62·2
Female skilled labour	... ..	51·6	51·6	51·6
Female unskilled labour	... ..	43·3	43·4	43·4

By a Decree of 15th October, 1935, Labour Trustees (see Chapter 35) were empowered to sanction changes in the wage scales hitherto obtaining in various enterprises or in respect of various individuals in their districts, but such amendments were to be regarded as exceptional. The nominal wage level which has been maintained since 1933 is only about 83 per cent. of the 1928 level. In Appendix XIX a table of the 17 industrial categories covered by wage statistics is given, showing wage rates in December, 1935, for male and female workers, skilled and unskilled, in the mining, metal, chemical, building, paper, printing, woodworking, pottery, textile, shoe-making, brewing and transport industries respectively.

Although hourly wage schedules have remained practically constant in the past three years it is doubtful whether, quite apart from changes in the cost of living, real wages have remained intact. There are a number of standing charges on the workman over and above social service dues which arise from his corporative obligations and Party affiliations which reduce his net wage receipt. No statistics are available regarding the amount of these deductions, and as they are in principle of a voluntary nature, it is a point of controversy whether account should be taken of them or not in any discussion of wage income. There are also no means of knowing how they compare with contributions of a similar nature made before

the revolution. Short-time working in some industries, especially in textiles, has had a very considerable effect on weekly wages, and altogether the fact that the hourly rates quoted in Appendix XIX have remained stable is only one factor of developments concerning labour income.

Miscellaneous wages data which have recently been noticed include :—

(a) Saxon knitting and weaving employees RM.30-RM.40 per week of 36 hours for men ; RM.15-RM.20 for women and girls. Deductions are said to amount to 12½ per cent.-15 per cent.

(b) Printing trade employees average net earnings in 1935 RM.41.31 per week compared with RM.44.18 in June, 1932. Deductions RM.6.98 and RM.6.46 respectively.

(c) Boot and shoe factory operatives average weekly earnings in 1935 RM.30.74 for men and RM.20.25 for women.

(d) Road workers in Bavaria RM.17.00 per week.

(e) Warehouse packer RM.28.56 per week. Deductions RM. 5.63.

(f) Butcher, single, living in, aged 23, RM.40 per week. Deductions RM.17.00.

(g) Office typist RM.139.00 per month. Deductions RM.24.35.

(h) Office typist (with knowledge of English) RM.192.00 less RM.38.27.

(i) Press photographer, single, aged 24, RM.200 per month. Deductions RM.47.97.

(j) Land-surveyor, single, aged 31, RM.320 per month. Deductions RM.63.57.

Cost of Living.—The following table shows the official estimates of cost of living movements between 1933 and February, 1936.

Official Cost of Living Index.

<i>Period.</i>	<i>Total.</i>	<i>Food.</i>	<i>Rent.</i>	<i>Heating and lighting.</i>	<i>Clothing.</i>	<i>Miscel- laneous.</i>
Average, 1933 ...	118·0	113·3	121·3	126·8	106·7	141·0
Average, 1934 ...	121·1	118·3	121·3	126·6	111·2	140·0
Average, 1935 ...	123·0	120·4	121·2	126·2	117·8	140·6
1936.						
January ...	124·3	122·3	121·3	127·1	118·5	141·1
February ...	124·3	122·3	121·3	127·1	118·6	141·3

In Germany, as in other countries, the official cost-of-living figures are often criticised as not being in complete accordance with the realities experienced by the house-keeper. It has been pointed out that the official index includes goods of the most simple quality, the price of which is fixed, and that goods of a better quality, the price of which is not fixed, are not included. There has undoubtedly been

a tendency recently in Germany for cost-of-living and price increases to have been concealed behind a process of reclassification by quality of consumer goods.

In October, 1934, details of the index on which the Statistical Office of the Reich made its calculations regarding the cost of living were published. The weighting of the various factors contributing to the cost of living were as follows :—

	<i>Per cent.</i>
Food	55·4
Rent	13·1
Heating and lighting	4·7
Clothing	12·9
Miscellaneous... ..	13·9
	100·0

For statistical purposes the requirements of a German family of five are meagre. The family occupies two living rooms and a kitchen, requires 2 kgs. of butter and 2 kgs. of margarine per month, 100 kgs. of coal or 150 kgs. of briquettes, 15 cubic metres of gas and 5 Kw. hours of electricity. The scale of clothing for a year includes 1 shirt, 1½ under vests, 1 pair of underpants for the man, 3 pairs of artificial silk stockings and two pairs of cotton stockings for the woman. The man is allowed four shaves, two postcards and 1 letter per month. On this basis it is not surprising that no great increase in the cost of living has recently been observable.

In an official review of the subject published in July, 1935, an upward trend of prices was recognised and was ascribed to the general increase in the economic activity, the shortage of foreign exchange, and the overdue increase in the prices of agricultural commodities domestically produced. Price control and measures for the curtailment of profits have undoubtedly prevented the full rise in prices which would have taken place and would have been reflected in a greatly increased cost of living had price measures not been taken and effectively enforced. Critics of the absolute accuracy of the official returns say that while there has been no great change during the past three years in rents, heating and lighting, there have in practice been considerable rises in the prices that have to be paid for food and clothing. If at the beginning of 1936 food for the ordinary family in Germany cost at least 20 per cent. more than in 1933, clothing 15 per cent. more and miscellaneous expenditure 10 per cent., as some observers calculate them to have done, the total cost of living would, on the basis of the Statistical Office's distribution of expenditure, show a rise of about 15 per cent. between 1933 and 1936. One reliably-costed household budget shows an increase of 20 per cent. in costs for the same goods between January, 1933, and March, 1936, the process of steady rise having begun early in 1934.

The following figures show how the consumption of meat, sugar, tobacco, beer and alcohol developed during the last four years:—

Consumption of Meat, Sugar, Beer, Alcohol, Cigarettes, Cigars and Tobacco.

<i>Commodities.</i>	1932.	1933.	1934.	1935.
Meat (in 1,000 tons)	3,151	3,179	3,543	3,422
Sugar (in 1,000 tons)	1,311	1,294	1,400	1,448
Beer (in 1,000 hectolitres)	33,298	33,073	36,746	38,802
Alcohol (in 1,000 hectolitres, 1st October to 30th September)	397·2	502·7	564·7	637·5
Cigarettes (in millions)... ..	31,366	32,850	36,116	36,752
Cigars (in millions)	5,496	6,273	7,418	7,821
Tobacco (in tons)	33,594	33,325	32,637	30,950

CHAPTER XXXVIII.

THE CHAMBER OF CULTURE.

Although such matters as literature, journalism, the press, sculpture, painting, broadcasting, the theatre, the concert hall and the cinema normally figure in a Report on Economic Conditions only in so far as some commercial interest is affected, e.g. the radio and film industries, it is perhaps not out of place to round off the descriptive summaries of the German National Socialist corporative "Estates" which are included in this volume by a short account of the only one not so far dealt with—the Reich Chamber of Culture. This organisation has, indeed, an important social and economic function; through its agency and control the artist and the publicist are harnessed to National-Socialist service; the commercial outlet on which all artists, even lyric poets, must in the last resort depend for expression is in German a monopoly of the political party in power. It is outside the scope of this Report to dilate on the enormous moral, mental and social results which the exercise of this economic power over cultural matters has had. Important commercial effects may, however, be observed in several industries or branches of trade, such as the printing trades and the film industry. Neither has expanded or flourished, by commercial standards, under the effects of Chamber Control. But then, commercial standards are not meant to apply.

The Chamber of Culture was founded on the basis of a law passed on the 22nd September, 1933, empowering and requesting the Minister for Popular Enlightenment and Propaganda (Minister für Volksaufklärung und Propaganda) to form the members of those professions which come within the scope of his Ministry, into statutory bodies. As a result of this law the Minister converted

the leading Associations existing in the various professions under his competence into the following Chambers :—

- Chamber of Authorship (Reichsschriftumskammer).
- Chamber of the Press (Reichspressekammer).
- Broadcasting Chamber (Reichsrundfunkkammer).
- Theatre Chamber (Reichstheaterkammer).
- Chamber of Music (Reichsmusikkammer).
- Chamber of Painting and Plastic Arts (Reichskammer der bildenden Künste).
- Film Chamber (Reichsfilmkammer).

All of these institutions, together form the Reich Chamber of Culture (Reichskulturkammer); it has its seat in Berlin and its President is the Minister of Propaganda who is also the Chief of the Propaganda Section of the National-Socialist Party. This fact guarantees a close connection between the Chamber of Culture and the Party.

The duties of the Reich Chamber of Culture are defined in a decree of the 1st November, 1933, as being the promotion of German culture by the co-operation of all the Chamber's members under the leadership of the Minister of Propaganda, the regulation of the economic and social questions of the cultural professions and the adjustment of the various tendencies of the groups belonging to the Chamber. The provisions of the law and decree apply also to foreigners resident in Germany.

The leadership principle is applied to the Reich Chamber of Culture and its functional and regional formations in the same way as to all other corporative organisations described in this Report. The President, who also represents the Chamber in legal matters, has supreme authority and responsibility. He appoints the Presidents of the above-mentioned Chambers, and his decisions take precedence over those of the affiliated Chambers. It is, accordingly, clear that the wide powers given to the President of the Reich Chamber of Culture ensure a rigid administration on uniform lines of the whole cultural organisation and enable the Government to guide and control the cultural life of the Nation.

The budget of the Chamber is drawn up by the President, and the expenses of the Chamber are covered by a levy which is divided amongst the affiliated Chambers. The current business of the Chamber of Culture is attended to by three managers.

The President is assisted (a) by the Council of Culture (Reichskulturrat), an advisory council consisting of the Presidents of the affiliated Chambers, and (b) by the Congress of Culture (Reichskultursenat); the latter has 105 members comprising the Presidents of the seven affiliated Chambers and prominent personalities of German cultural life. The Congress was formally established on the 15th November, 1935, on the occasion of the annual meeting of the Chamber of Culture. The Congress regards itself as the ultimate forum of German cultural life, and is responsible for its systematic development on National-Socialist lines.

The affiliated Chambers are statutory bodies, but their individual independence is greatly impaired by the right of the President of the Reich Chamber of Culture to override the decision made by them. Each Chamber has a President and one or several managers; the President is assisted by an Administrative Council (Verwaltungsbeirat) consisting of representatives of the various sections of the Chamber.

The Reich Chamber of Culture and the affiliated Chambers can lay down conditions for the establishment, conduct, and cessation, of all enterprises which fall within their competence.

The Reich Chamber of Culture is functionally and regionally sub-divided. A regional classification exists up to the present only in the case of the Chamber of Painting and Plastic Arts, but a similar sub-division is contemplated for all Chambers; it is to be carried out in such a way that the regional groups of the Chambers under the cultural organisations shall be supervised by the regional representatives of the Ministry of Propaganda who are at the same time regional leaders of the Propaganda Section of the National-Socialist Party.

The functional classification has been built up on the former functional associations (Fachverbände) and on certain newly formed divisions (Fachschaften). It is proposed in due course to dissolve all the old associations and to sub-divide the Chambers only into divisions, for the old associations carry with them traditions which might involve the risk of discarded principles asserting themselves. The functional classification of the various Chambers is not yet either uniform or complete.

Membership is compulsory. The decree of the 1st November, 1933, referred to above, lays down that all persons engaged in the production, reproduction, intellectual or technical processing, distribution, custody, sale, or sale agency of cultural products, must be members of the particular Chamber which is competent for their type and activity. Cultural products for the purposes of the decree are:—every artistic creation or action that is put before the public, every other intellectual creation or action if it is transmitted to the public through print, the cinematograph or broadcasting. Contributions are payable by members to their functional section; membership of such a section entails indirect membership of a Chamber and also of the Reich Chamber of Culture, which itself has only corporate, and no individual, members. Although membership is compulsory, it is subject to the approval of the President of the individual Chamber who can refuse to accept as member any person who can be proved to be not sufficiently reliable or who is unsuitable for the exercise of a trade or profession intimately connected with cultural matters. Through the exercise of this power far-reaching commercial and social changes have been effected in various trades especially through the exclusion of Jews from e.g.

the Press, the publishing and bookselling trades. Membership cannot be acquired by employers or employees engaged on work of a purely commercial, technical, or mechanical nature.

Certain types of enterprise which belong to the Reich Chamber of Culture must, owing to the nature of their business, also be members of the Estate of Industry and Trade and the Minister for Economic Affairs by a decree of the 31st August, 1935, has fixed the payment of contributions by such enterprises.

The Reich Chamber of Culture is a corporative member of the Labour Front. Members of a functional section of the Reich Chamber of Culture may not be "individual" members of the Labour Front. The provisions of the Law for the Regulation of National Labour apply to enterprises under the Reich Chamber of Culture, and the Labour Trustees are accordingly the competent authorities for wages questions in all enterprises included in the purview of the Chamber of Culture.

APPENDIX I

GLOSSARY.

The German terms used in the various corporative organisations with the English equivalent used in this Report :—

- (a) Agricultural Estate.
- (b) Transport.
- (c) Handicrafts.
- (d) Industry and Trade.
- (e) Organisation of Industry and Labour.
- (f) Labour Legislation.
- (g) Labour Front.
- (h) Chamber of Culture.

The Agricultural Estate.

Agricultural Estate	Reichsnährstand.
Farm Congress	Reichsbauerntag.
Farm Committee... ..	Reichsbauernthing.
Policy Department	Stabsamt.
Central Marketing Association	Hauptvereinigung.
Regional Association	Landesbauernschaft.
District Association	Bezirksbauernschaft.
Local Farm Association... ..	Ortsbauernschaft.
Farm Leader	Reichsbauernführer.
Chief Deputy Farm Leader	Reichsobmann.

Organisation of Transport.

Transport Organisation	Aufbau des Verkehrs.
Reich Transport Council	Reichsverkehrsrat.
Central Transport Group	Reichsverkehrsgruppe.
District Transport Council	Bezirksverkehrsrat.
Concerns responsible for Transport	Verkehrsträger.
Transport users	Verkehrsnutzer.
Section	Fachgruppe.
Sub-Section	Fachuntergruppe.
District Group	Bezirksgruppe.
District Sub-Group	Bezirksuntergruppe.
Combines	Arbeitsgemeinschaften.

Estate of Handicrafts.

Estate of German Handicrafts	Reichsstand des deutschen Handwerks.
Federation of German Handicrafts	Reichsverband des deutschen Handwerks.
Grand Master of Handicrafts... ..	Reichshandwerksmeister.
Federation of Chambers of Handicrafts	Deutscher Handwerks-und Gewerkekammertag.
Provincial Representative of Grand Master of Handicrafts.	Landeshandwerksmeister.
Director	Leiter.
Master Craftsman	Obermeister.
Chamber of Handicraft	Handwerkskammer.
Regional Guild Association	Kreishandwerkschaft.
Guild	Innung.
Reich Guild Associations	Reichsinnungsverbände.

Industry and Trade.

Estate of Industry and Trade	Organisation der gewerblichen Wirtschaft.
Reich Economic Chamber	Reichswirtschaftskammer.
National Branch of Business	Reichsgruppe.
Main Group	Hauptgruppe.
Trade Group	Wirtschaftsgruppe.
Section	Fachgruppe.
Sub-Section	Fachuntergruppe.
Industrial Board... ..	Wirtschaftskammer.
Chamber of Commerce	Industrie—und Handelskammer.
Director	Leiter.
Manager	Geschäftsführer.
Industrial District	Wirtschaftsbezirk.
District Group	Bezirksgruppe.
District Sub-Group	Bezirksuntergruppe.
Local Regional Formation	Ortsgruppe.

Organisation of Industry and Labour.

Joint Self-Administration of Labour and Industry.	Selbstverwaltungsgemeinschaft von Arbeit und Wirtschaft.
Reich Council of Labour and Industry...	Reichsarbeits-und-wirtschaftsrat.
Combine of Chambers of Commerce and Industry.	Arbeitsgemeinschaft der Industrie-und Handelskammern.
District Council of Labour and Industry	Bezirksarbeits-und-wirtschaftsrat.
Reich Chamber of Labour	Reichsarbeitskammer.
Local Labour Committee	Arbeitsausschuss.
Mutual Trust Council	Vertrauensrat.
Committee of Experts	Sachverständigenausschuss.

Labour Legislation.

Law for the Regulation of National Labour.	Gesetz zur Ordnung der nationalen Arbeit.
Firm	Betriebsgemeinschaft.
Mutual Trust Council	Vertrauensrat.
Leader of a Firm	Betriebsführer.
Labour Trustee	Treuhänder der Arbeit.
Special Labour Trustee	Sondertreuhänder.
Works Regulation	Betriebsordnung.
Wage Schedule	Tarifordnung.
Wage Tariff	Tarifvertrag.
Contract of Employment	Einzelarbeitsvertrag.
Labour Gazette	Reichsarbeitsblatt.
Permanent Advisory Council	Sachverständigenbeirat.
Temporary Committee of Experts	Sachverständigenausschuss.
Industrial District	Wirtschaftsbezirk.
Court of Social Honour	Soziales Ehrengericht.
Reich Court of Social Honour	Reichsehrengerichtshof.
Labour Court	Arbeitsgericht.
Employment Book	Arbeitsbuch.

Labour Front.

German Labour Front	Deutsche Arbeitsfront.
Organisation Office	Organisationsamt.
Section	Reichsamt.
Press Section	Presseamt.
Political Schooling Section	Schulungsamt.
Social Section	Sozialamt.
Propaganda Section	Propaganda Amt.
Health Section	Amt für Volksgesundheit.
Vocational Training Section	Amt für Arbeitsführung und Berufserziehung.
Legal Advice Section	Amt für Rechtsberatungsstellen.
Youth Section	Jugendamt.
Women's Section	Frauenamt.
Housing Section	Heimstättenamt.
Economic Section	Wirtschaftsamt.
Labour Research Institute	Arbeitswissenschaftliches Institut.
Section for Social Self-Administration	Amt für Soziale Selbstverantwortung.
Reich Trades Division	Reichsbetriebsgemeinschaft.
Section of Reich Trades Division ...	Reichsfachgruppe.
"Strength through Joy"	Kraft durch Freude.
"Beauty and Labour"	Schönheit der Arbeit.
Evening Leisure Section	Amt für Feierabendgestaltung.
Choral and Dramatic Societies... ..	Werkchoren.
Reich Labour Exchange and Unemployment Insurance Office.	Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung.
Labour Front Region	Gau.
Regional Steward	Gauwalter.
Steward	Walter.
Steward of Reich Trades Division ...	Reichsbetriebsgemeinschaftswalter.
Steward of a Section	Fachgruppenwalter.
Office Steward	Betriebswalter.
Block Steward	Blockwalter.
Youth Stewards in Factories	Jugendbetriebswalter.
District	Kreis.
Local Group	Ortsverwaltung.
Firm	Betriebsgemeinschaft.
General assemblies	Betriebsappelle.
Head of National-Socialist Cell ...	Zellenwart.
Labour Trustee	Treuhänder der Arbeit.

Chamber of Culture.

Reich Chamber of Culture	Reichskulturkammer.
Minister for Popular Enlightenment and Propaganda.	Minister für Volksaufklärung und Propaganda.
Chamber of Authorship... ..	Reichsschrifttumkammer.
Chamber of the Press	Reichspressekammer.
Broadcasting Chamber	Reichsrundfunkkammer.
Theatre Chamber	Reichstheaterkammer.
Chamber of Music	Reichsmusikkammer.
Chamber of Plastic Art	Reichskammer der bildenden Künste.
Film Chamber	Reichsfilmkammer.
Functional Association	Fachverband.
Functional Division	Fachschaft.

APPENDIX II

BUDGET FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1935.
(In Million Reichsmarks.)

<i>Revenue.</i>	<i>Total.</i>	<i>Share of Reich.</i>	<i>Expenditure.</i>
<i>Direct Taxes—</i>			
Income Tax	1,275	414	Transfers to States ... 350
Tax Deduction from Directors' Fees	4	4	Salaries of Officials ... 749
Marriage Contribution	15	15	Pensions 1,280
Corporation Tax	180	45	Internal War Burdens ... 299
Property Tax	300	300	External War Burdens... 140
Inheritance Tax	60	60	Purchase of Dresdner Bank Shares 104
Turnover Tax	1,700	1,190	Social Insurance 521
Site Purchase Tax	20	1	Assistance to Small In- vestors... .. 28
Taxes on Capital Trans- actions	39	39	Cheapening of Fats 66
Motor Tax	110	31	Unemployment Work Ser- vices 324
Insurance Tax	60	60	Service of the Debt ... 573
Betting and Lottery Tax	70	41	Police 190
Tax on Bills of Exchange	50	50	Voluntary Labour Ser- vice 250
Transport Tax	190	190	Departmental Expendi- ture 1,583
	<hr/>		
	4,073	2,440	
<i>Indirect Taxes—</i>			
Customs	1,080	1,080	
Tobacco Tax	775	775	
Sugar Tax	300	300	
Salt Tax	65	65	
Beer Tax	370	370	
Spirit Monopoly	145	145	
Fats Tax	140	140	
Slaughtering Tax	200	8	
Other Taxes	49	49	
	<hr/>		
	3,125	2,933	
Total Tax Revenue		5,373	
Less Tax Certificates		285	
		<hr/>	
Net Tax Revenue		5,088	
Proceeds of Loans		275	
Interest and Sale Proceeds on Railway Preference Shares, Sale of Assets, etc.		524	
Surplus of Post and Printing Office		152	
Reich Share in Profits of Reichs- bank		18	
Railway Company's Reparation Contribution		70	
Miscellaneous Departmental Receipts		331	
		<hr/>	
		6,458	<hr/>
			6,458

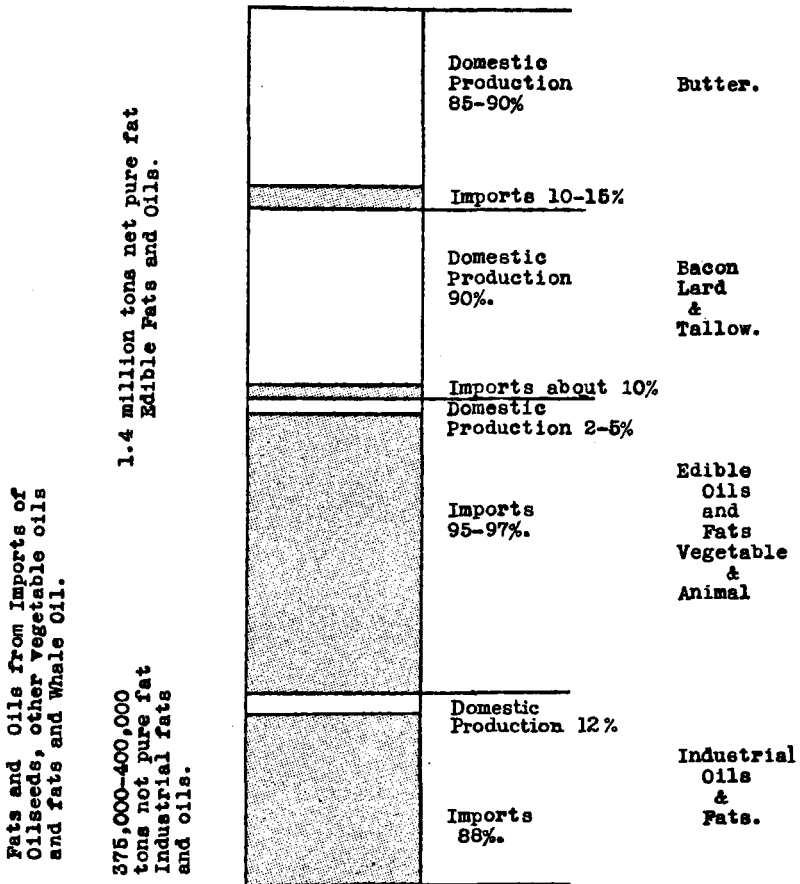
APPENDIX III

GERMAN ACREAGE, 1935, BY PRINCIPAL CROPS, WITH YIELDS IN RECENT YEARS
(1 hectare, 2.471 acres.)

	Acreage, 1935.	Crop Results.		
		1935.	1934.	Average, 1929-34.
	Hectares.	Tons.	Tons.	Tons.
Winter Barley	387,113	1,001,887	691,049	565,247
Summer Barley	1,217,655	2,385,631	2,512,832	2,592,390
Winter Rye	4,472,702	7,391,208	7,522,580	7,777,644
Summer Rye	67,223	86,959	85,038	91,108
Winter Wheat	1,916,195	4,278,443	3,947,175	3,902,051
Summer Wheat	190,093	388,736	585,540	516,536
Spelt, etc.... ..	72,755	122,772	143,464	146,849
Oats	2,789,318	5,385,688	5,452,328	6,383,196
Mixed Grains	521,144	945,261	675,753	647,542
Buckwheat	9,345	9,291	8,920	13,832
Maize (for Grain)... ..	15,793	—	—	—
Maize (Green Fodder and Silo)	56,060	—	—	—
Pease	48,613	82,647	77,368	116,509
Beans	48,602	86,945	90,484	128,187
Vetches	121,454	32,595	36,541	51,056
		(grain)	(grain)	(grain)
Lupines	112,986	62,316	47,218	48,667
		(grain)	(grain)	(grain)
Sweet Lupines	12,178	—	—	—
Mixed Pulse	43,255	33,706	29,362	42,749
		(grain)	(grain)	(grain)
Other Grains and Pulse... ..	141,974	158,735	234,747	225,789
		(grain)	(grain)	(grain)
Winter Potatoes	2,618,932	39,710	44,428	41,939
Early Potatoes	132,112	1,304	2,352	2,880
Sugar Beet	388,739	10,569,271	10,394,343	10,649,641
Fodder Beet	861,316	34,708,056	33,804,726	30,573,967
Turnips	232,023	9,004,279	7,558,230	8,103,168
Carrots for Fodder	13,850	360,126	400,766	—
White Cabbage	22,106	535,380	946,006	1,074,037
Rape and Colza	47,004	80,901	42,096	17,991
			(rape)	(rape)
		68,788	26,857	15,574
Flax	22,275	(straw)	(straw)	(straw)
		16,623	6,334	3,168
		(seed)	(seed)	seed (1933)
		18,684	—	—
		(straw)	—	—
Hemp	3,636	1,954	—	—
		(seed)	—	—
Tobacco	12,671	—	34,880	—
Hops	10,265	8,591	6,544	—
Red Clover	747,423	—	—	—
White Clover	14,946	—	—	—
Swedish Clover	15,674	7,180,322	7,087,019	8,776,815
Other Clover	273,373	—	—	—
Clover Grass	424,911	—	—	—
Grass Seed	85,906	—	—	—
Lucerne	363,138	2,333,911	1,611,286	1,877,765

Appendix IV

DISTRIBUTION BY SOURCES OF GERMANY'S FAT SUPPLIES.



The above chart represents the distribution by sources of supply of Germany's consumption of 1.8 million tons net pure fat annually; the chart takes no account of the fat consumed in the form of liquid milk, cheese etc., amounting to about 300,000 tons net pure fat.

APPENDIX IV

GERMAN SUPPLIES OF FATS AND OILS.
(In thousands of tons net Pure Fat.)(a) *Edible Fats and Oils.*

	Average Average		1932.	1933.	1934.	1935.*
	1909/13.	1928/29.				
<i>Consumption—</i>						
Lard, Bacon and Tallow	415	411	437	420	407	386
Butter	357	379	407	417	414	405
Margarine, Edible Oils and Fats	290	575	682	549	549	570
<i>Domestic Production—</i>						
Lard, Bacon and Tallow	321	319	316	338	354	345
Butter	315	269	349	366	361	344
Margarine, Edible Oils and Fats	38	8	4	7	56	26
<i>Imports—</i>						
Lard, Bacon and Tallow	94	92	121	82	53	41
Butter	42	110	58	51	53	61
Margarine, Edible Oils and Fats	252	567	678	542	493	544
Total consumption ...	1,062	1,365	1,526	1,386	1,370	1,361

* Estimated.

(b) *Industrial Fats and Oils.*

	1928.	1929.	1931.	1932.	1933.	1934.
Consumption	345	332	311	320	375	405
Inland Production	58	63	57	56	47	61
Imports	287	269	254	264	328	344
Soap Industry	210	200	210	220	240	255
Paint Industry	83	80	60	60	85	95
Other Industries	52	52	51	40	50	55

APPENDIX V

GERMANY'S PRODUCTION OF SOLID FUEL, 1932-1935.

<i>Monthly Average.</i>	<i>Coal.</i>	<i>Lignite.</i>	<i>(In 1,000 tons.)</i>		
			<i>Coke.*</i>	<i>Coal Briquettes.</i>	<i>Lignite Briquettes.</i>
1932	8,728	10,220	1,594	365	2,479
1933	9,141	10,566	1,763	405	2,505
1934	10,405	11,439	2,040	433	2,615
1935 :					
January ...	11,570	12,942	2,263	448	2,814
February ...	10,395	11,207	2,075	380	2,458
March* ...	11,776	11,232	2,260	362	2,415
April ...	11,019	10,510	2,124	383	2,315
May ...	11,624	11,937	2,284	411	2,823
June ...	10,884	11,206	2,233	371	2,731
July ...	11,985	11,812	2,488	420	2,770
August ...	12,098	12,343	2,513	420	2,839
September ...	11,978	12,614	2,484	460	2,928
October ...	13,455	13,814	2,691	504	3,001
November ...	13,178	13,751	2,645	478	2,928
December ...	13,049	13,470	2,816	448	2,885
January to December...	11,918	12,282	2,463	424	2,742

* Saar Territory included from March, 1935.

APPENDIX VI

PRODUCTION OF STEEL IN GERMANY IN 1934 AND 1935.

(In Metric Tons.)

	Ingots.						Castings.				Total.	
	Thomas Steel.	Besse-mer.	Basic.	Acid.	Crucible and Electric.	Other.	Besse-mer.	Basic.	Acid.	Crucible and Electric.	1934.	1935. *
Rhineland—												
Westphalia ...	4,560,965	}	6,087,638	174,397	231,260	}	57,523	166,553	30,010	23,653	9,372,892	11,318,157
Sieg, Lahn, Dill districts and Upper Hesse ...	—		334,781	—	}		}	}	}	}	}	}
Silesia ...	—	}	}	}		}						
North, East and Central Germany ...	} 709,926				}		1,219,437	—	36,382	}	8,922	4,135	9,910	}								330,154	350,160
Saxony ...		}	}	462,130		—	}	}	}		}	}
South Germany and Bavarian Palatinate	}			}	67,262	—				}		
Saar ...		1,372,419	}		405,248	—	}	}	}		}	}
Total, 1935*...	6,643,310	—	8,576,496	174,397	267,642	—	†82,363	241,928	46,230	63,287	—	16,095,653
Total, 1934 ...	4,413,401	—	6,886,986	117,512	173,523	—	—	174,226	88,094	32,268	11,886,010	—

Average daily production.—1934 39,099.
1935* 52,946.

* Including Saar Territory from March, 1935.

† Shown separately from January, 1935, for the first time.

APPENDIX VII

PRODUCTION OF GERMAN ROLLING MILLS.
(In Metric Tons.)

<i>Description of Product.</i>	1932.	1933.	1934.	1935.
Permanent way material ...	413,360	618,822	767,613	887,896
Sections (over 80 m/m high) and universal plate ...	247,152	343,538	764,044	1,073,555
Bar iron and small sections...	1,080,924	1,462,497	2,492,978	3,379,434
Hoop iron	262,941	368,435	493,661	662,690
Wire rod	578,146	673,980	786,073	1,027,647
Universal iron	90,120	77,612	152,286	219,321
Thick plate (4.76 m/m and over)	309,865	341,825	713,347	965,669
Middle plate (from 3 to under 4.76 m/m)	135,213	119,711	199,304	251,463
Thin plate	432,172	547,240	789,784	1,078,343
Tinplate	141,076	207,277	228,522	239,458
Tubes	272,123	376,051	540,245	804,398
Rolling stock material ...	75,991	83,199	92,603	120,797
Forgings	109,525	136,890	250,511	337,610
Other finished products ...	85,145	106,156	132,786	136,003
Total	4,233,753	5,463,233	8,403,757	11,184,284
Semi-products	319,095	543,138	623,091	830,427
Average daily production ...	13,881	18,090	27,644	36,790

APPENDIX VIII

STATISTICS OF FOREIGN TRADE IN IRON ORES, IRON AND STEEL, IRON AND STEEL GOODS.

(In Metric Tons.)

	<i>Imports.</i>		<i>Exports.</i>	
	<i>1934.</i>	<i>1935.</i>	<i>1934.</i>	<i>1935.</i>
Iron Ores	8,264,605	14,061,077	80,804	18,319
Manganese Ores	224,745	394,256	2,082	1,616
Slags, calcined pyrites	1,150,126	1,464,853	402,743	283,196
Pyrites and sulphurous ores...	987,261	1,018,565	18,788	21,884
	1,899,873	921,602	2,565,565	3,216,603
Iron and ironware, including :				
Pig iron	90,840	96,588	158,985	224,572
Ferro-aluminium, -chromium, -manganese, -nickel, -silicon and other ferro alloys	1,343	1,524	6,546	4,448
Scrap	500,872	276,862	94,553	77,403
Pipes and connections, cast, rough and machined	51,536	3,846	64,703	83,827
Rollers	160	172	8,794	7,970
Machine parts, rough and machined, of non-malleable cast iron...	1,127	768	1,008	810
Other iron ware, rough and machined	5,626	1,712	64,959	59,469
Ingots, blooms, billets, slabs	111,397	57,687	185,225	155,961
Girders, bars and hoops	653,862	341,933	735,076	847,714
Plates, rough, straightened, etc.	140,302	41,376	269,790	333,549
Plates, smoothed, polished, varnished, etc.	22	48	413	478
Tinplate	22,387	9,229	134,527	127,175
Galvanised sheets	1,964	1,576	2,553	15,773
Corrugated iron, chequered plates, etc.	4,558	1,069	2,571	9,600
Other plates	492	273	3,048	3,418
Wire, rolled or drawn, galvanised, etc.	121,412	25,699	170,651	186,357
Spiral tubes, rolled or drawn, pipe connections	273	89	3,707	3,800
Other tubes, rolled or drawn	7,880	4,940	94,211	229,691
Rails, sleepers and fish plates	128,687	36,247	135,865	262,520
Railway axles, wheels and tyres	618	204	33,727	52,533
Malleable castings, forgings, etc., machine parts, rough and machined, or wrought iron	11,330	8,015	90,638	114,631

APPENDIX VIII—continued

	<i>Imports.</i>		<i>Exports.</i>	
	<i>1934.</i>	<i>1935.</i>	<i>1934.</i>	<i>1935.</i>
Iron and ironware— <i>cont.</i>				
Bridges and steel constructional parts ...	15,395	4,117	28,988	20,378
Steam boilers and parts, gasometers, cocks, valves, etc. ...	450	341	31,469	38,424
Anchors, vices, anvils, crowbars, hammers, pulley block parts, winches, etc. ...	196	199	2,154	2,836
Agricultural tools ...	1,418	1,029	15,763	23,196
Tools, knives, scissors, scales, etc. ...	1,147	988	20,830	26,840
Permanent way material	8,255	829	3,005	7,480
Other railway material...	1,089	163	2,474	2,607
Screws, rivets, screw nuts, horseshoes, etc. ...	3,751	834	17,223	36,111
Axles (excluding railway axles), axle parts ...	10	17	1,101	1,113
Railway carriage springs, other carriage springs	6,529	992	4,722	6,834
Wire rope, wire heddle...	412	134	9,928	13,195
Other wire ware ...	2,142	372	44,661	78,875
Wire tacks, also horseshoe and other nails ...	584	135	26,280	38,268
House and kitchen utensils ...	151	124	12,552	17,106
Chains, etc. ...	378	189	5,749	6,263
All other ironware ...	1,278	1,279	74,296	95,373
Machinery ...	16,347	8,971	253,073	255,435

APPENDIX IX

GERMAN EXPORTS OF YARNS AND TEXTILES.

	<i>Metric Tons.</i>			<i>R.M. Million.</i>		
	1933.	1934.	1935.	1933.	1934.	1935.
<i>Yarns—</i>						
Rayon and floss silk ...	8,294	6,218	5,983	37.5	29.0	27.5
Wool and other animal hair	5,618	4,443	4,884	32.4	26.6	26.1
Cotton	5,670	3,954	3,882	15.7	13.4	12.5
Flax, hemp, jute, etc....	5,626	5,114	3,153	5.5	4.5	4.2
Total	25,208	19,729	17,902	91.1	73.5	70.3
<i>Tissues—</i>						
Silk and rayon ...	5,713	4,924	5,929	95.9	77.4	83.3
Wool and other animal hair	11,393	8,381	7,576	95.6	69.2	57.3
Cotton	13,827	11,758	14,011	112.1	81.2	75.8
Flax, hemp, jute, etc....	15,796	14,759	12,841	11.3	9.4	8.5
Total	46,729	39,822	40,357	314.9	237.2	224.9
Clothing and under-clothing	4,956	3,411	2,812	94.0	66.5	54.4
Hats	372	313	350	7.0	5.4	4.9
Miscellaneous textiles...	10,372	8,204	8,049	38.9	28.6	27.3
Total	15,700	11,928	11,211	139.9	100.5	86.6
Grand Total	87,637	71,479	69,470	545.9	411.2	381.8

APPENDIX X

IMPORTS BY COMMODITIES, BY VALUE AND BY QUANTITIES, IN 1933, 1934 AND 1935.

	1933.		1934.		1935.	
	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.
I.—Livestock	30,839	42,979*	33,331	58,607*	45,156	87,381*
Horses	10,356	24,603†	11,743	22,323†	9,369	14,988†
Cattle	7,803	50,379†	11,747	79,555†	20,808	118,173†
Pigs	744	18,839†	1,059	34,366†	6,181	98,662†
Other living animals	11,936	17,611	8,782	12,552	8,798	10,684
II.—Foodstuffs and Beverages	1,082,284	4,473,292	1,066,873	4,776,373	995,936	3,674,403
Wheat	71,884	770,343	60,919	646,961	14,715	158,892
Rye	19,216	238,387	3,951	52,684	15,425	219,799
Barley	14,173	235,286	37,063	552,018	12,278	158,436
Oats	1,317	18,771	3,319	46,836	13,157	180,570
Maize, dari	15,297	254,056	23,778	388,331	18,612	281,900
Rice	30,454	307,344	27,169	287,603	19,592	190,916
Malt	996	3,422	452	1,719	585	2,288
Flour, grits and other milling products... ..	1,484	5,555	610	2,890	1,211	9,731
Fresh potatoes	5,591	71,290	11,010	111,829	8,015	60,171
Edible beans, peas and lentils	12,150	88,654	23,334	150,125	24,532	123,203
Vegetables	47,153	293,882	53,218	317,853	43,142	265,577
Fruit	113,652	469,270	108,791	411,881	97,182	282,593
Southern Fruit	143,173	561,846	140,843	586,201	143,907	530,664
Sugar	6,122	29,275	5,540	20,799	7,077	30,139
Coffee	125,261	129,969	118,997	150,829	120,997	147,670
Tea	6,719	4,691	8,164	4,838	7,448	4,447
Raw cocoa	29,053	78,217	33,037	101,461	27,617	74,754
Meat, bacon and sausages	36,082	48,680	41,577	53,921	54,876	63,557
Fish and fish preparations	50,222	229,686	49,703	209,108	48,637	220,553
Milk	1,757	3,843	1,662	4,975	2,557	14,054

* Excluding horses.

† Numbers, not weight.

II.—Foodstuffs and Beverages—(continued).

37646

Butter	83,765	59,144	73,692	61,764	86,561	71,000
Cheese	33,716	41,242	31,436	33,787	26,787	27,969
Eggs	78,821	83,884	74,046	75,967	62,131	64,648
Lard, Oleo margarine	43,461	78,605	19,016	42,143	20,518	30,600
Ox and sheep tallow, pressed tallow	8,425	27,602	5,938	21,310	4,649	14,254
Margarine and other edible fats	7,660	25,951	2,553	10,629	4,055	18,854
Vegetable oils and fats	26,119	87,681	25,415	95,232	27,316	95,173
Spices	7,814	10,928	9,904	12,709	9,471	10,398
Spirits of all kinds... ..	1,518	923	2,429	3,360	5,576	17,008
Wine and must	20,658	70,319	23,877	91,586	18,489	89,984
Beer	1,018	6,330	908	6,054	819	6,260
Various foodstuffs and beverages	37,553	138,217	44,522	218,972	48,002	208,326

III.—Raw Materials and Semi-Manufactured Goods

I 8

	2,420,495	29,522,597	2,600,346	37,808,183	2,552,782	42,670,058
Silk and floss silk	16,416	3,401	27,500	9,501	30,950	10,659
Wool and animal hair	266,191	197,852	322,626	180,143	248,064	156,284
Cotton	306,994	473,333	260,239	399,455	329,722	397,438
Flax, hemp, jute, etc.	65,551	213,353	69,726	225,621	86,044	243,940
Sheep and lamb skins	7,576	8,630	12,562	11,491	13,489	12,199
Calf and ox hides	86,501	125,664	99,284	139,588	88,250	120,278
Fur skins, raw	69,731	4,825	53,451	4,354	46,493	3,190
Hides and skins of other animals... ..	20,338	12,805	18,073	13,656	16,411	11,710
Feathers and bristles	22,134	8,383	33,259	11,746	24,574	8,781
Animal fats and fish oil	38,612	188,503	26,276	165,146	44,521	261,361
Guts, stomachs of cattle, gold beaters' skins, etc.	40,377	41,713	40,063	36,763	33,602	27,497
Hops	7,722	2,123	7,230	2,380	7,826	2,857
Raw tobacco	120,331	78,850	123,848	86,381	118,937	87,272
Seeds, other than oil seeds	24,448	52,285	31,373	57,426	28,155	44,413
Oil, fruit and seeds	268,587	2,290,736	219,889	2,214,196	155,442	1,334,446

249

APPENDIX X—Continued.

	1933.		1934.		1935.	
	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.
III.—Raw Materials and Semi-Manufactured Goods—(continued).						
Oil cake	48,495	527,606	9,775	122,414	23,649	297,802
Bran and other fodder	3,861	51,018	1,459	21,810	5,707	81,870
Timber	70,081	1,282,326	134,614	2,547,297	150,682	2,845,298
Wood for wood pulp	46,216	2,472,329	62,295	3,018,303	60,471	2,821,965
Wood pulp, cellulose, etc.	16,455	137,126	17,478	144,497	15,590	143,867
Tanning material	20,878	150,882	24,681	174,049	24,416	193,276
Resin, copal, shellac, etc.	16,096	74,530	21,252	95,610	18,334	82,682
Rubber	25,084	60,495	42,289	72,235	45,515	73,574
Coal	58,007	4,155,579	66,781	4,861,824	54,793	4,270,372
Lignite	15,940	1,581,663	17,040	1,776,880	15,766	1,660,423
Coke	11,718	717,926	12,562	776,336	12,600	751,104
Briquettes	2,119	156,888	2,670	197,033	2,343	167,164
Coal tar, coal tar oil, etc.	27,438	171,700	28,712	218,671	16,067	92,730
Mineral oils... ..	127,515	2,647,464	136,856	3,094,182	164,953	3,766,865
Mineral phosphates	15,045	688,228	16,607	831,553	15,077	740,987
Cement	1,895	71,762	3,095	111,424	665	21,254
Various stones and earths	34,370	1,198,844	42,031	1,544,441	44,357	1,556,424
Iron ore	58,753	4,571,641	88,307	8,264,605	123,372	14,061,077
Copper ore	6,079	240,902	5,668	324,921	7,940	400,538
Zinc ore	4,052	79,068	5,066	127,310	4,707	117,239
Pyrites	15,420	849,102	16,776	987,261	14,724	1,018,565
Manganese ores	4,737	131,926	6,541	224,745	11,393	394,256
Miscellaneous ores and metallic ashes	59,549	1,085,134	60,394	1,406,853	64,476	1,733,927
Iron	15,926	431,717	25,436	607,699	20,078	398,060
Copper	102,250	207,141	96,767	228,623	80,697	216,030
Lead	8,333	48,685	7,638	48,554	9,498	54,464
Tin	34,769	14,872	37,313	13,470	30,944	11,824
Zinc	22,965	100,626	21,820	107,439	13,984	76,030
Aluminium	2,122	2,816	6,044	6,409	19,047	18,068
Other non-precious metals	15,635	13,248	20,862	17,214	23,165	19,349

III.—Raw Materials and Semi-Manufactured Goods—(continued).

Iron semi-manufacturers, rough blooms, etc.	7,459	99,193	10,545	111,397	6,152	57,687
Potash	10	150	—	—	1	12
Thomas meal phosphate	32,270	1,012,530	29,087	980,325	17,324	617,487
Sulphate of ammonia	1,118	8,638	1,472	12,635	467	4,350
Various chemical raw materials and semi- manufactured goods	17,004	122,815	35,865	275,219	30,391	235,759
Various raw materials and semi-manufac- tured goods	109,322	653,576	139,149	897,102	130,959	945,334
IV.—Finished goods	669,994	1,352,594*	750,486	1,764,051*	564,821	940,828*
Yarns of—						
Rayon and floss silk	48,448	11,827	51,919	11,837	36,957	8,304
Wool and other animal hair	33,653	10,335	33,536	8,856	33,390	9,481
Cotton	40,611	15,169	44,073	18,642	51,739	23,481
Flax, hemp, jute, etc.	13,993	16,348	24,390	23,758	20,720	21,701
Fabrics and other goods not sewn, of—						
Silk and rayon	11,600	558	10,830	737	8,906	715
Wool and other animal hair	17,507	1,604	17,898	1,670	13,901	1,363
Cotton	23,547	4,386	24,345	4,911	24,243	5,114
Flax, hemp, jute, etc.	2,994	4,915	3,268	4,860	3,163	6,171
Clothing and underclothing	5,413	148	5,015	140	3,982	101
Felt hats and hat shapes	1,022	18	983	19	648	14
Other textile goods	2,401	402	2,059	480	1,467	316
Leather	30,395	6,568	28,820	6,126	20,438	4,287
Boots and shoes, saddlers' and other leather goods	6,487	340	5,614	364	4,120	255
Fur and fur goods	28,779	1,243	21,106	1,451	24,241	902
Paraffin and goods of wax or fats	9,766	23,514	11,531	33,801	9,744	29,032
Wooden wares	14,648	35,322	15,831	42,868	13,812	37,627

251

* Excluding watercraft.

APPENDIX X—*continued.*

IV.—Finished Goods—(<i>continued.</i>)	1933.		1934.		1935.	
	<i>R.M. 1,000.</i>	<i>Metric tons.</i>	<i>R.M. 1,000.</i>	<i>Metric tons.</i>	<i>R.M. 1,000.</i>	<i>Metric tons.</i>
Rubber goods	5,513	1,838	5,753	3,320	4,172	5,232
Celluloid and goods of celluloid (excluding films)	4,704	1,865	4,572	2,165	3,387	1,731
Films	4,871	152	4,243	154	3,047	107
Paper and paper articles	12,418	22,387	11,635	21,341	7,731	14,991
Books and music	8,204	1,967	7,288	1,684	8,204	1,651
Colours, varnishes and lacquers	18,630	49,056	20,553	54,016	18,823	29,828
Sulphate of potash and Chloride of potassium	—	—	—	—	—	—
Various chemical and pharmaceutical products	51,314	283,187	45,575	207,607	40,163	174,598
Pottery and porcelain	4,759	21,241	6,646	28,971	1,806	4,514
Glass and glassware	12,439	10,650	14,654	16,402	9,303	10,127
Goods of precious metals	1,721	5	1,276	5	1,099	5
Ironware—						
Tubes and rollers	5,941	36,504	10,213	59,849	2,486	9,047
Bar iron and sections	44,776	393,243	77,220	653,863	40,391	341,932
Sheets and wire	32,182	224,479	42,216	291,139	14,036	79,270
Permanent way material	9,309	78,756	14,366	136,942	3,941	37,077
Boilers; machine parts and accessories... ..	7,323	5,528	8,310	6,273	7,616	5,084
Cutlery	486	36	343	26	176	18
Tools and agricultural implements	3,269	1,904	4,180	2,194	3,067	1,759
Various iron goods	17,239	23,483	22,849	44,974	14,824	14,630
Copper ware	8,143	1,918	8,453	2,127	7,646	1,715
Gold plated and silver plated goods	1,047	40	898	38	506	25
Various goods of non-precious metals	5,849	7,942	6,448	9,349	4,775	8,108
Textile machinery	8,340	3,222	8,102	3,116	5,306	2,290
Steam locomotives, tenders for locomotives	28	90	62	93	—	—

IV.—Finished Goods—(continued).

Machine tools	4,466	1,472	6,781	2,409	6,777	2,232
Agricultural machinery	2,644	1,559	2,340	1,344	1,375	645
Other machinery (except electrical)	15,549	6,537	23,839	9,535	10,288	3,899
Electrical machinery	4,769	2,479	3,824	1,660	2,152	841
Electrical products	20,443	2,344	21,982	3,307	17,353	2,717
Motor vehicles, motor cycles	6,947	2,985	9,837	5,405	9,441	5,637
Bicycles, accessories	764	192	687	166	362	102
Watercraft	2,661	112*	955	136*	2,021	107*
Musical instruments, gramophones	1,265	133	1,205	127	621	79
Clocks and watches	5,812	62	9,243	84	8,984	78
Other fine-mechanical products	4,299	234	3,694	189	3,738	176
Toys	475	182	303	119	217	108
Various finished goods	40,131	27,224	38,723	33,537	27,516	31,689
I. to IV.—Grand Total †	4,203,612	35,391,462	4,451,036	44,407,214	4,158,695	47,372,671
In addition to which—Gold and Silver	406,532	1,831	282,628	3,187	151,163	647

* Number.

† Not including horses and watercraft, the numbers of which are given in the Table.

APPENDIX XI

EXPORTS BY COMMODITIES, BY VALUE AND BY QUANTITIES, IN 1933, 1934 AND 1935.

	1933.		1934.		1935.	
	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.
I.—Livestock	8,990	8,539*	3,767	1,717*	2,929	519*
Horses	653	700†	266	189†	232	122†
Cattle	2,500	10,039†	380	865†	410	537†
Pigs	3,041	42,975†	876	11,079†	32	343†
Other living animals	2,796	405	2,245	277	2,255	212
II.—Foodstuffs and Beverages	172,185	2,160,209	117,098	1,552,057	74,990	1,008,696
Wheat	29,657	563,082	8,910	185,721	694	13,118
Rye	11,535	263,178	4,225	107,272	1,050	36,666
Barley	21	110	15	78	17	75
Oats	4,001	76,495	1,243	22,153	15	107
Maize, dari	4	27	1	2	0	1
Rice	4,693	36,985	3,858	33,783	3,559	27,715
Malt	3,450	15,375	4,587	23,935	4,276	19,567
Flour, grits and other milling products	20,360	315,465	15,355	295,993	3,747	42,848
Fresh potatoes	2,404	34,262	3,086	38,676	1,925	17,083
Edible beans, peas and lentils... ..	765	1,223	413	544	282	246
Vegetables	1,479	8,509	1,174	7,051	950	4,996
Fruit	2,046	7,016	1,033	3,846	622	1,687
Southern Fruit	265	641	146	283	69	141
Sugar	3,672	19,054	1,527	4,430	2,341	9,774
Coffee	354	291	132	87	126	83
Tea	—	—	—	—	—	—
Raw cocoa	35	1,211	23	80	0	3
Meat, bacon and sausages	1,712	976	1,578	1,306	524	267
Fish and fish preparations	7,744	19,970	5,820	13,433	4,463	11,795
Milk	456	770	325	495	306	695

* Excluding horses.

† Numbers, not weight.

1935

Butter	19	9	12	4	12	5
Cheese	1,564	1,758	803	959	369	330
Eggs	44	27	26	18	36	23
Lard, Oleo margarine	3	3	3	6	0	1
Ox and sheep tallow, pressed tallow	203	469	16	41	2	4
Margarine and other edible fats	6,384	13,264	2,619	7,431	572	1,494
Vegetable oils and fats... ..	19,088	65,388	13,476	65,394	9,268	33,579
Spices	87	313	76	333	69	302
Spirits of all kinds	1,513	677	1,670	797	1,945	2,488
Wine and must	7,152	5,584	10,766	7,517	8,083	6,056
Beer	10,995	38,395	7,206	23,894	7,457	35,965
Various foodstuffs and beverages	30,120	696,684	26,994	701,498	22,211	741,570

III.—Raw Materials and Semi-Manufactured Goods ...	903,377	35,448,775	790,264	39,135,804	773,758	43,570,425
Silk and floss silk	3,604	1,861	3,276	1,594	1,993	725
Wool and animal hair	36,677	23,231	25,673	15,380	11,116	6,957
Cotton	46,924	72,055	42,856	62,042	35,360	48,691
Flax, hemp, jute, etc.	2,527	5,058	1,690	2,989	1,096	1,551
Sheep and lamb skins	678	1,099	320	359	26	26
Calf and ox hides	17,111	23,955	6,173	8,250	2,173	3,589
Fur skins, raw	28,196	2,862	15,957	2,141	13,079	2,216
Hides and skins of other animals	2,947	2,161	1,865	1,220	1,236	1,043
Feathers and bristles	6,173	1,253	4,648	908	1,798	370
Animal fats and fish oil	3,053	12,083	2,734	12,700	1,817	6,508
Guts, stomachs of cattle, gold beaters' skins, etc.	8,091	4,772	4,882	2,671	2,347	1,413
Hops	13,406	3,393	13,013	3,134	11,010	3,103
Raw Tobacco	511	305	475	257	58	33
Seeds, other than oil seeds	13,229	19,819	12,151	15,102	10,199	8,069
Oil seeds	830	4,583	280	1,451	160	856

215

APPENDIX XI.—*continued.*

	1933.		1934.		1935.	
	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.
Raw Materials and Semi-Manufactured Goods—(continued).						
Oil cake	6,388	67,411	1,685	21,200	296	5,935
Bran and other fodder	151	4,032	139	8,560	25	5,047
Timber	17,852	619,125	12,408	407,131	4,771	111,925
Wood, for wood pulp	981	261,958	329	15,994	205	10,607
Wood pulp, cellulose, etc.	28,377	264,983	31,145	316,089	26,759	301,033
Tanning material	2,339	7,314	2,016	4,402	2,136	5,279
Resin, copal, shellac, etc.	8,246	9,062	8,600	9,175	7,912	8,176
Rubber	2,538	6,527	2,844	5,052	1,278	1,787
Coal	208,768	18,443,544	215,762	21,937,084	252,188	26,773,575
Lignite	31	2,758	20	1,386	15	2,087
Coke	75,873	5,381,618	81,138	6,166,415	86,311	6,611,426
Briquettes	32,512	2,115,440	29,406	1,957,720	28,835	2,026,742
Coal tar, coal tar oil, etc.	13,064	120,529	10,807	104,917	10,611	99,686
Mineral oils	27,055	218,568	20,795	173,864	25,297	288,678
Mineral phosphates	410	9,339	51	1,018	3	21
Cement	3,892	237,538	3,949	261,397	7,402	510,824
Various stones and earths	39,409	4,676,741	38,871	4,573,726	35,662	3,935,455
Iron ore	585	44,100	951	80,804	258	18,319
Copper ore	435	10,956	422	5,026	407	5,798
Zinc ore	3,843	101,459	2,739	81,192	1,157	27,777
Pyrites	559	33,032	329	18,788	293	21,883
Manganese ores	375	2,321	360	2,082	313	1,616
Miscellaneous ores and metallic ashes	6,008	390,603	5,116	422,636	5,204	316,273
Iron	11,104	301,868	10,753	260,371	12,745	303,461
Copper	21,659	42,900	7,013	14,061	1,567	3,136
Lead	5,129	26,956	1,819	8,805	1,124	4,453
Tin	6,351	3,591	5,006	2,496	1,552	814
Zinc	4,281	20,023	2,125	10,862	275	1,369
Aluminium	4,418	3,183	1,905	702	377	248
Other non-precious metals	22,090	27,877	15,337	26,775	13,203	18,072

Iron, semi-manufactures, rough blooms, etc.	6,886	123,163	9,386	185,225	8,898	155,960
Potash	21,360	514,150	19,963	704,029	18,039	609,085
Thomas meal phosphate	100	2,077	169	4,186	875	25,468
Sulphate of ammonia	31,022	454,621	21,556	371,771	26,983	441,530
Various chemical raw materials and semi-manufactured goods	33,509	199,060	31,071	240,435	35,693	353,770
Various raw materials and semi-manufactured goods	71,820	721,858	59,096	600,232	61,621	477,941
IV.—Finished Goods	3,786,853	4,214,102*	3,255,749	4,528,181*	3,417,990	5,557,668*
Yarns of :—						
Rayon and floss silk	37,538	8,294	28,976	6,218	27,462	5,983
Wool and other animal hair	32,408	5,618	26,623	4,443	26,103	4,883
Cotton	15,709	5,670	13,380	3,954	12,496	3,882
Flax, hemp, jute, etc.	5,525	5,626	4,508	5,114	4,150	3,153
Fabrics and other goods not sewn, of :—						
Silk and rayon	95,903	5,713	77,374	4,924	83,282	5,929
Wool and other animal hair	95,638	11,393	69,177	8,381	57,258	7,576
Cotton	112,108	13,827	81,169	11,758	75,830	14,010
Flax, hemp, jute, etc.	11,262	15,796	9,351	14,759	8,492	12,841
Clothing and underclothing	94,092	4,956	66,548	3,411	54,360	2,812
Felt hats and hat shapes	7,003	372	5,428	313	4,869	350
Other textile goods	38,888	10,372	28,639	8,204	27,278	8,048
Leather	86,560	9,838	57,305	6,369	71,969	8,832
Boots and shoes, saddlers' and other leather goods	40,964	2,909	27,944	2,204	25,382	2,261
Fur and fur goods	70,158	1,795	46,374	1,490	42,166	1,423
Paraffin and goods of wax or fats	23,483	28,564	20,909	27,870	17,612	26,292
Wooden wares	52,850	65,630	34,674	42,099	30,226	36,691

* Excluding watercraft.

APPENDIX XI.—*continued.*

	1933.		1934.		1935.	
	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.	R.M. 1,000.	Metric tons.
Finished Goods—(continued).						
Rubber goods	47,075	13,879	41,391	13,086	39,495	14,122
Celluloid and goods of celluloid (excluding films)	41,196	6,500	36,909	6,089	36,793	6,488
Films	30,718	1,579	29,818	1,749	26,094	1,820
Paper and paper articles	155,464	331,548	132,632	290,549	146,870	373,751
Books and music	32,272	6,982	27,075	6,067	24,584	5,974
Colours, varnishes and lacquers	202,492	126,601	206,001	132,587	193,763	138,989
Sulphate of potash and chloride of potassium... ..	20,339	184,696	16,887	244,276	22,973	388,321
Various chemical and pharmaceutical products	337,045	739,983	316,209	718,675	323,826	801,223
Pottery and porcelain	51,538	110,154	47,960	115,127	50,928	127,191
Glass and glassware	119,903	106,841	107,506	102,367	120,206	120,101
Goods of precious metals	20,556	104	18,436	96	18,453	104
Ironware :—						
Tubes and rollers	67,633	211,243	36,741	171,415	57,742	325,287
Bar iron and sections	64,460	445,637	75,462	735,076	90,132	847,713
Sheets and wire	89,591	474,774	90,292	583,553	101,910	676,351
Permanent way material	8,799	94,629	11,971	139,354	22,322	270,843
Boilers ; machine parts and accessories	91,735	56,977	88,814	61,240	84,050	61,299
Cutlery	29,901	4,360	27,622	4,378	30,945	5,127
Tools and agricultural implements... ..	47,834	31,439	43,875	31,754	53,409	44,622
Various iron goods	304,860	424,326	267,891	424,240	288,793	554,407
Copper ware	127,247	75,712	118,050	83,970	122,914	94,915
Gold plated and silver plated goods	20,265	1,279	17,941	1,179	17,038	1,197
Various goods of non-precious metals	56,455	34,034	50,437	30,223	53,486	38,056
Textile machinery	73,181	32,385	77,155	35,552	76,874	36,260
Steam locomotives, tenders for locomotives... ..	2,788	2,158	2,107	2,085	9,789	9,846

Machine tools	131,880	38,790	87,038	66,674	78,152	50,021
Agricultural machinery	8,981	10,710	9,288	11,808	9,099	11,952
Other machinery (except electrical)	222,058	135,583	181,312	105,813	188,166	118,387
Electrical machinery	35,188	13,133	30,215	11,537	29,560	14,121
Electrical products	185,260	54,055	168,832	51,266	176,783	63,077
Motor vehicles, motor cycles	28,996	14,225	29,578	14,444	50,154	27,732
Bicycles, accessories	21,103	12,806	20,020	13,302	21,474	14,770
Watercraft	23,642	2,173*	6,573	1,734*	37,422	1,353*
Musical instruments, gramophones	20,966	4,462	20,325	4,447	22,630	5,386
Clocks and watches	31,894	6,335	29,930	6,269	31,991	7,118
Other fine mechanical products	49,583	4,730	41,519	4,072	47,144	5,004
Toys	38,457	22,111	29,930	16,513	34,469	19,122
Various finished goods	125,409	137,970	113,628	135,841	108,622	131,982
I. to IV.—Grand Total†	4,871,405	41,831,624	4,166,878	45,217,759	4,269,667	50,137,310
In addition to which :—						
Gold and silver	833,486	1,188	500,293	584	49,693	277

* Number.

† Not including horses and watercraft, the numbers of which are given in the Table.

APPENDIX XII

GERMAN TRADE WITH FOREIGN COUNTRIES.

COMPARISON BETWEEN THE YEARS 1933, 1934 AND 1935.

Countries.	1933.		1934.		1935.	
	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.
	(Value in R.M. million.)					
<i>Europe</i>	2,231.4	3,801.1	2,560.5	3,188.3	2,470.6	3,057.2
Saar Territory	116.1	83.6	167.4	72.7	26.0*	6.8*
Belgium-						
Luxembourg... ..	138.8	278.1	161.0	235.9	126.2	201.8
British Mediterranean	3.2	3.1	3.9	2.7	2.7	2.8
Bulgaria	31.3	17.7	33.7	19.3	41.4	39.9
Denmark	104.4	144.7	101.2	140.2	118.6	141.9
Danzig	21.2	26.9	24.2	16.3	16.1	15.3
Poland	55.9	55.5	53.9	38.8	59.4	48.0
Estonia	8.4	7.1	8.2	7.3	13.1	11.4
Finland	37.2	44.2	42.3	43.3	41.1	49.2
France	184.0	395.0	176.9	281.7	154.2	252.8
Greece	53.4	18.7	55.3	29.3	58.5	49.1
United Kingdom	238.4	405.6	205.7	382.9	256.2	374.9
Irish Free State	1.9	16.0	2.6	21.2	6.9	13.1
Iceland	2.7	3.0	3.4	2.8	3.6	2.9
Italy	166.4	227.3	184.7	245.9	187.5	278.3
Jugoslavia	33.5	33.8	36.3	31.5	61.4	36.9
Latvia	17.5	17.2	21.1	18.8	31.1	27.9
Lithuania	22.1	19.7	15.1	14.7	2.6	6.7
The Netherlands	232.0	612.8	264.1	481.8	196.1	404.2
Norway	72.9	85.0	68.7	79.6	93.6	87.4
Austria	57.6	120.7	66.3	108.7	71.1	107.9
Portugal	14.3	27.2	19.3	29.2	22.7	29.0
Roumania	46.1	46.0	59.0	50.9	79.9	63.8
Sweden	102.6	191.1	133.8	198.3	152.9	206.8
Switzerland	82.5	352.4	116.1	295.3	114.4	256.9
Spain	86.5	85.8	99.7	87.5	118.3	105.7
Czechoslovakia	121.7	160.1	162.3	148.4	121.4	130.0
Hungary	34.2	38.1	63.9	39.6	77.9	62.9
U.S.S.R.	194.1	282.2	209.7	63.3	215.0	39.3
<i>Overseas countries</i>	1,912.1	1,066.3	1,878.4	975.2	1,676.1	1,207.7
<i>Africa</i>	242.6	105.8	258.5	107.1	261.5	123.7
Abyssinia ... ..	.8	.3	.8	.3	.3	.4
Egypt	43.1	27.2	43.6	27.2	44.1	38.4
British East Africa	8.7	1.9	6.4	2.5	5.6	4.1
British South Africa	52.4	40.2	60.6	45.8	68.4	42.2
British West Africa	59.1	6.4	57.7	4.5	52.2	10.1
Algeria	8.2	4.9	8.7	4.0	5.9	3.4
Tunis	2.0	1.5	1.8	1.3	1.2	1.6
French Morocco	5.1	5.0	14.2	4.3	5.2	4.8
French West Africa	17.1	1.8	17.5	2.1	18.8	2.6
Madagascar	1.8	1.7	2.7	0.6	2.3	0.3
Belgian Congo	22.9	2.1	22.3	1.9	21.4	1.8
Liberia	0.6	0.3	0.7	0.2	0.9	0.4
Mandated territory of Cameroons	2.2	0.7	3.9	0.8	9.1	1.4

* Until the 17th February, 1935.

APPENDIX XII.—*continued.*

Countries.	1933.		1934.		1935.	
	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.
(Value in R.M. million.)						
<i>Africa—(continued).</i>						
Portuguese East Africa	2·8	2·5	2·2	2·6	3·2	3·0
Portuguese West Africa	2·9	1·5	2·4	1·0	2·1	1·2
Canary Islands	5·9	5·0	6·2	4·4	11·1	3·8
Mandated territory of East Africa	3·9	1·6	3·6	1·7	3·7	2·4
Mandated territory of South-West Africa	3·0	0·8	3·2	1·2	5·2	1·6
Mandated territory of Togo	0·1	0·4	—	0·7	0·8	0·2
<i>Asia</i>	533·9	368·7	557·8	393·6	523·7	464·9
British India	153·9	86·8	134·7	94·4	121·3	111·3
British Malaya	15·6	7·2	22·5	7·7	26·5	9·2
Ceylon	9·3	1·6	11·5	2·1	9·0	2·7
China	153·2	80·0	121·9	77·7	102·4	95·5
French India	1·2	0·6	1·4	0·8	3·0	0·7
Iran... ..	20·6	6·6	24·1	7·5	15·3	13·5
Japan	15·9	75·8	21·7	79·6	21·0	83·2
Dutch East Indies... ..	111·7	38·6	131·8	34·8	119·5	35·2
Palestine	5·7	11·4	11·9	16·6	5·1	21·0
The Philippines	3·7	9·9	2·4	6·9	1·9	6·8
Siam	3·3	3·6	3·2	4·0	1·7	5·8
Turkey	37·9	36·3	67·5	50·9	93·4	67·3
Remainder of Asia... ..	1·9	10·3	3·2	10·6	3·6	12·7
<i>America</i>	1,004·5	565·2	917·5	449·0	849·5	588·9
U.S.A.	482·8	245·9	372·7	157·8	240·7	169·5
Canada	79·2	28·0	62·8	21·7	12·3	22·9
Other territory in British America... ..	24·3	2·9	21·5	2·8	12·3	3·3
Argentina	149·4	100·3	151·5	87·0	142·7	97·2
Bolivia	1·6	2·8	3·1	2·9	6·3	2·4
Brazil	68·7	76·5	77·2	74·5	176·9	118·6
Chile	20·0	8·1	36·4	11·8	52·3	32·1
Colombia	11·2	20·4	13·4	17·4	20·6	27·7
Costa Rica	9·7	1·5	9·0	2·1	7·0	4·6
Cuba	4·0	6·8	4·8	7·6	5·0	10·4
Dominican Republic	1·7	1·6	1·8	1·1	2·1	1·5
Ecuador	1·6	2·4	2·3	2·0	2·2	3·4
Guatemala	25·0	2·4	21·7	2·0	12·6	5·9
Haiti	0·8	0·7	0·5	0·7	1·3	0·7
Honduras	1·5	0·9	2·1	0·5	0·6	0·7
Mexico	20·1	27·1	24·1	25·3	38·1	34·0
Nicaragua	3·5	0·7	2·8	0·7	2·5	1·9
Panama	0·2	0·9	0·2	0·7	0·2	0·8
Paraguay	1·8	2·8	1·0	1·5	1·5	1·0
Peru	17·6	6·0	19·4	7·8	35·6	17·6
Salvador	13·1	1·7	12·3	1·5	9·8	4·6
Uruguay	25·0	14·7	28·5	11·7	20·7	11·9
Venezuela	8·1	7·8	7·2	6·7	8·5	13·8
Remainder of America	33·6	2·3	41·2	1·2	37·7	2·4

APPENDIX XII.—*continued.*

Countries	1933.		1934.		1935.	
	Imports.	Exports.	Imports.	Exports.	Imports.	Exports
	(Value in R.M. million.)					
<i>Australia and Polynesia</i>	131.1	26.6	144.6	25.5	41.4	30.
Australian Commonwealth	103.7	20.6	105.4	21.5	35.1	25.5
New Zealand	25.0	3.5	35.7	3.4	4.4	3.9
Mandated German territory in the Pacific	0.2	0.3	1.3	0.2	0.5	0.2
Samoa	0.5	—	0.3	—	0.1	—
Remainder of Australasia and Polynesia	1.7	2.2	1.9	0.4	1.3	0.6
<i>Arctic and Antarctic Oceans and Miscellaneous</i>	10.1	4.0	12.1	3.4	12.0	4.8
Total trade in goods...	4,203.6	4,871.4	4,451.0	4,166.9	4,158.7	4,269.7
Gold and Silver	406.5	833.5	282.6	500.3	151.2	49.7
Grand Total	4,610.1	5,704.9	4,733.6	4,667.2	4,309.9	4,319.4

APPENDIX XIII

PRINCIPAL IMPORTS INTO GERMANY FROM THE UNITED KINGDOM

<i>Commodities.</i>	1933.		1934.		1935.	
	<i>Values in RM. 1,000.</i>	<i>Quantities. Metric tons.</i>	<i>Values in RM. 1,000.</i>	<i>Quantities. Metric tons.</i>	<i>Values in RM. 1,000.</i>	<i>Quantities. Metric tons.</i>
Fish and fish products	15,600	69,372	12,242	60,594	14,603	75,465
Vegetable oils and fats	2,147	5,282	1,735	4,773	1,348	3,515
Wool and other animal hair	22,496	13,771	21,835	10,434	47,246	20,169
Fur skins, raw	19,654	832	12,494	442	5,877	271
Guts, stomachs of cattle, etc....	3,745	2,912	2,564	2,365	2,330	2,073
Animal fats and fish oils	10,090	45,387	5,853	32,581	3,377	15,855
Coal	25,740	2,101,520	30,489	2,541,073	34,541	2,960,782
Copper, raw, alloys and scrap...	5,584	14,608	3,868	10,881	6,770	19,122
Tin, raw, alloys and scrap	1,530	950	739	398	2,271	1,035
Various base metals	3,740	1,291	3,785	1,261	3,913	1,664
Miscellaneous ores and metallic ashes	2,925	46,454	1,127	20,458	2,373	43,057
Various raw materials and semi-manufactured goods	6,979	40,502	7,263	33,461	9,844	34,889
Yarns of wool and other animal hair	13,363	5,558	10,654	4,186	16,018	5,907
Cotton yarns	30,627	11,806	18,640	7,048	28,682	12,726
Fabrics and other goods of wool and other animal hair, not sewn	7,066	572	6,888	553	6,138	512
Fabrics and other goods of cotton, not sewn...	8,710	2,059	6,926	1,796	5,720	1,658
Leather	5,714	1,239	4,621	987	4,065	981
Furs and fur goods	3,428	136	2,172	77	2,089	70
Various chemical and pharmaceutical products	1,898	3,198	1,403	2,319	1,417	2,234
Iron sheets and wire	2,341	9,198	1,640	5,837	1,939	6,311
Textile machinery	3,782	1,236	2,848	794	1,503	497
Other machinery (except machine tools, agricultural and electrical)	2,306	664	4,340	472	721	207

APPENDIX XIV.

PRINCIPAL EXPORTS FROM GERMANY TO THE UNITED KINGDOM

	1933.		1934.		1935.	
	Value in R.M. 1,000.	Quantities. Metric tons.	Value in R.M. 1,000.	Quantities. Metric tons.	Value in R.M. 1,000.	Quantities. Metric tons.
Wheat	12,334	237,862	4,488	97,432	18	360
Flour and milling products	7,051	119,422	6,794	135,492	1,152	14,262
Wine and must	2,754	1,865	2,831	1,996	2,813	2,157
Vegetable oils and fats	1,895	7,718	1,975	12,679	105	138
Various foodstuffs and beverages	3,895	21,038	4,405	19,504	3,064	16,108
Pelts for fur	6,387	199	4,092	189	3,308	183
Calf and ox hides	1,945	3,099	934	1,281	419	721
Wood pulp, cellulose, etc.	4,351	39,600	5,522	55,475	3,887	44,807
Mineral oils	3,020	12,303	2,640	11,370	3,770	34,597
Various stones and earths	2,652	52,282	2,327	46,914	2,354	60,389
Iron semi-manufactures rough blooms	1,521	37,159	2,684	65,215	751	15,812
Various raw materials and semi-manufactures	6,450	22,276	6,021	25,911	10,262	28,861
Fabrics and other goods of silk and artificial silk, not sewn... ..	24,236	1,226	22,024	1,249	24,979	1,534
Fabrics and other goods of wool and other animal hair, not sewn	7,213	1,044	5,848	939	4,268	731
Fabrics and other goods of cotton, not sewn	13,859	1,489	12,415	1,383	10,697	1,381
Clothing and underclothing	8,933	266	6,508	208	7,058	243
Various textile goods	4,394	973	3,157	792	3,448	864
Leather	15,353	1,918	11,708	1,572	20,388	2,956
Boots and shoes, saddlers' and other leather goods	4,620	357	4,044	325	4,210	410
Furs and fur goods	7,163	204	4,713	220	4,677	166
Furniture and other wooden ware	7,297	11,461	6,892	11,069	6,985	11,358
Rubber goods	6,531	2,475	5,003	1,897	4,374	1,846
Goods of celluloid, galalith and similar substances (excluding films)	6,277	965	5,760	956	5,098	899
Paper and paper goods	25,604	76,965	23,813	78,497	23,691	72,984
Colours, varnishes and lacquers	18,997	18,562	20,003	19,994	16,593	17,608

Various chemical and pharmaceutical products	21,566	58,508	[23,789	63,528	20,027	62,766
Pottery and porcelain	4,881	11,602	6,099	17,491	6,600	20,447
Glass and glassware	16,696	21,385	15,368	20,064	16,472	21,981
Iron bars and sections	1,547	12,761	4,078	50,127	2,744	23,211
Iron sheets and wire	1,837	17,032	1,871	18,341	1,309	10,304
Boilers, iron parts and accessories of machinery	5,244	2,234	6,672	4,466	6,265	4,543
Various iron goods	17,753	23,052	18,595	27,291	18,894	29,258
Copper ware	11,967	7,430	[12,570	8,880	13,321	10,275
Various goods of base metals	8,766	5,266	7,982	5,131	6,608	4,855
Textile machinery	5,056	1,930	5,665	2,188	7,723	3,121
Machine tools	5,695	3,217	[7,822	4,455	[8,513	6,851
Other machinery (except electrical and agricultural)	13,082	6,527	[14,799	[7,559	12,955	6,164
Electrical products	8,848	[2,217	8,024	[1,662	8,461	1,868
Musical instruments, gramophones, etc.	1,808	416	2,890	676	4,916	1,150
Watches and clocks	10,299	2,372	[9,599	[2,398	9,191	2,431
Toys	8,074	5,534	[7,588	4,905	[9,578	[6,489
Various finished goods... ..	11,536	23,568	10,939	28,164	10,794	23,423
Watercraft	3,330	23*	1,791	48*	5,879	74*

* Numbers, not weight.

APPENDIX XV.

FOREIGN TRADE BETWEEN GERMANY AND BRITISH EMPIRE.

Country.	(RM. million.)													
	<i>German Imports.</i>							<i>German Exports.</i>						
	1929.	1930.	1931.	1932.	1933.	1934.	1935.	1929.	1930.	1931.	1932.	1933.	1934.	1935.
United Kingdom...	865.3	639.0	453.3	258.5	238.4	205.7	256.2	1,305.5	1,218.9	1,133.6	446.0	405.6	382.9	374.8
Ireland	2.2	1.1	1.2	0.9	1.9	2.5	6.9	24.9	18.8	13.5	11.2	16.0	21.1	13.0
British Mediterranean possessions	4.4	3.8	3.7	2.3	3.2	3.8	2.7	7.4	5.4	5.0	2.8	3.1	2.6	2.8
British East Africa	29.4	16.7	12.0	8.3	8.7	6.4	5.5	8.4	6.0	3.2	1.6	1.9	2.5	4.0
British South Africa	164.4	92.9	58.7	50.1	52.4	60.5	68.4	95.8	76.5	62.6	41.6	40.2	45.8	42.2
British West Africa	179.4	160.8	105.0	70.6	59.1	57.6	52.2	29.7	22.8	10.0	6.3	6.4	4.5	10.1
British India	623.7	428.6	280.5	158.8	153.9	134.6	121.3	220.4	190.0	157.5	109.3	86.8	94.4	111.3
British Malaya	35.3	29.3	18.7	13.1	15.6	22.5	26.5	26.1	13.1	7.2	6.8	7.2	7.6	9.2
Ceylon	30.2	21.0	14.4	9.7	9.3	11.5	8.9	9.3	5.5	3.9	2.1	1.6	2.0	2.7
Palestine	3.9	7.6	6.2	5.4	5.7	11.8	5.0	11.7	11.9	9.5	8.0	11.4	16.6	21.0
Canada	303.1	132.6	99.1	64.9	79.2	62.7	12.3	84.8	70.2	47.2	33.3	28.0	21.6	22.9
Other parts of														
British America	73.0	96.4	55.4	54.2	24.3	21.5	12.2	5.8	6.5	5.1	3.0	2.9	2.8	3.2
Commonwealth of														
Australia	313.6	205.6	121.1	92.4	103.7	105.3	35.0	84.5	48.3	21.5	20.2	20.6	21.4	25.4
New Zealand	27.3	21.6	20.8	16.5	25.0	35.6	4.3	12.0	12.4	8.4	3.6	3.5	3.3	3.9
*Total	2,655.2	1,857.0	1,250.1	805.7	780.4	742.0	617.4	1,926.3	1,706.3	1,488.2	695.8	635.2	629.1	646.5

266

*Exclusive of Egypt and Mandated Territories which were formerly German. Gold and Silver not included. Exports include Reparation deliveries up to June, 1932.

APPENDIX XVI.

CHIEF IMPORTS INTO GERMANY FROM U.S.S.R.

	1932.		1933.		1934.		1935.	
	<i>Metric tons.</i>	<i>R.M. million.</i>	<i>Metric tons.</i>	<i>R.M. million.</i>	<i>Metric tons.</i>	<i>R.M. million.</i>	<i>Metric tons.</i>	<i>R.M. million.</i>
Rye	515,671	46·30	115,956	8·89	—	—	—	—
Fur skins, raw	572	18·09	542	15·61	486	13·1	334	6·1
Mineral oils	516,926	28·69	423,259	24·19	391,707	22·4	401,496	21·5
Barley	216,651	19·68	105,366	5·39	183,410	11·3	37,844	2·9
Timber	316,434	15·88	278,626	15·58	412,864	25·2	494,174	26·6
Wood for cellulose	541,547	10·59	1,059,229	20·41	1,281,981	28·1	1,416,640	31·8
Fur and fur goods	465	15·70	620	13·50	771	12·7	460	8·6
Guts, stomachs of cattle, gold-beaters' skin ...	4,623	5·96	2,947	3·03	3,159	4·2	2,513	3·4
Meat, bacon, meat sausages	5,807	5·42	2,241	2·15	1,327	1·0	1,082	0·9
Manganese ore	85,338	3·13	85,977	2·82	171,937	4·2	228,348	5·9
Beans, peas and lentils	36,008	4·33	48,939	6·06	52,811	7·0	38,828	7·3
Wheat	13,259	1·29	18,071	1·42	35,782	3·3	10,757	1·1
Butter	13,438	15·78	4,706	4·68	6,898	5·5	5,919	5·7
Flax, hemp and jute	10,390	5·15	11,933	6·50	26,660	13·8	17,162	12·6
Oil cake	82,247	7·97	66,114	5·97	68,551	5·4	204,068	16·3
Feathers and bristles	440	1·98	451	2·19	1,083	3·1	1,063	3·1
Tobacco	1,991	3·66	1,923	2·22	2,275	3·0	1,954	2·2
Wool and other animal hair	5,173	4·25	3,966	3·07	4,975	4·4	2,289	3·3
Sheep and lamb skins	2,879	1·84	2,177	1·34	2,238	2·2	737	0·9
Various raw materials and semi-manufactured goods	5,602	15·17	10,506	11·14	12,592	4·7*	7,155†	4·4
Sundry ores and metallic ashes	12,000	6·63	12,182	15·04	34,710	11·2	11,192	2·0
Various stones and earths... ..	5,560	0·89	9,621	1·43	16,993	2·8	21,048	3·3
Mineral phosphates... ..	27,249	0·40	131,800	2·11	155,418	2·5	156,183	2·7

* Includes platinum for R.M. 1·7 million.

† Includes platinum for R.M. 2·3 million.

APPENDIX XVII.

CHIEF EXPORTS FROM GERMANY TO U.S.S.R.

	1932.		1933.		1934.		1935.	
	<i>Metric tons.</i>	<i>R.M. million.</i>	<i>Metric tons.</i>	<i>R.M. million.</i>	<i>Metric tons.</i>	<i>R.M. million.</i>	<i>Metric tons.</i>	<i>R.M. million.</i>
Machine tools	84,575	159·70	53,007	83·23	18,643	23·7	4,010	8·1
Other machinery, except electric textile and agricultural	79,118	108·02	37,469	42·58	4,488	5·8	1,158	3·3
Bar iron and sections	360,440	49·77	50,188	18·48	17,660	5·0	8,397	2·3
Iron sheets and wire	278,785	45·74	65,017	14·04	11,683	3·2	16,474	2·0
Boilers, iron parts and accessories of machinery... ..	19,347	27·86	7,172	10·87	764	2·4	629	1·9
Iron tubes and rollers	30,271	17·60	78,349	36·69	1,329	0·7	285	0·4
Various iron goods	59,755	56·12	22,057	22·07	2,253	3·0	12,154	2·8
Various chemical and pharmaceutical products	5,247	5·71	2,170	3·35	4,548	3·7	1,775	3·3
Electrical machines, including parts	13,523	33·36	2,921	6·75	1,199	2·2	51	0·1
Various raw materials and semi-finished products	40,769	4·30	3,558	1·54	349	0·2	1,157	0·9
Various finished products	18,215	15·13	12,531	8·10	4,362	2·6	722	0·9
Various fine mechanical products	422	7·66	246	3·05	49	0·7	61	0·8
Tools and agricultural implements	527	5·38	201	1·77	14	0·1	48	0·4
Electro-technical products	7,216	37·05	1,353	8·07	178	2·2	179	1·3
Aluminium, raw, alloys and scrap	10	0·02	2,100	2·94	—	—	—	—
Copper, raw, alloys and scrap	12,264	7·63	3,387	1·74	431	0·1	—	—
Various base metals	4,239	11·23	3,634	7·26	958	1·2	413	1·3

APPENDIX XIX.

WAGES IN MAIN INDUSTRIES IN DECEMBER, 1935.

<i>Average tariff wages per hour.</i>	<i>Male.</i>		<i>Female.</i>	
	<i>Skilled.</i>	<i>Unskilled.</i>	<i>Skilled.</i>	<i>Unskilled.</i>
	<i>(In Pfennigs.)</i>			
Coal mining	95·5	59·9	—	—
Lignite mining	75·2	66·0	—	—
Metal working industry... ..	78·0	61·9	—	45·1
Chemical industry	87·1	—	—	46·9
Building	81·1	64·9	—	—
Papermaking industry	75·9	57·4	—	38·6
Paper working-up industry	92·9	69·0	52·7	43·0
Printing	96·1	79·7	—	48·8
Woodworking	79·3	62·1	—	—
Ceramic industry	70·9	58·9	43·4	36·1
Textile industry	63·6	53·1	50·0	39·5
Worsted	69·8	54·4	45·0	39·2
Cloth... ..	61·3	54·2	51·9	41·3
Cotton	63·3	52·2	51·8	39·4
Linen	59·6	49·6	45·6	36·8
Silk	58·2	54·4	51·3	41·9
Velvet	71·9	61·6	53·7	40·9
Ribbon	65·3	54·4	51·1	42·0
Lace and curtain weaving... ..	75·4	55·9	—	39·3
Knitting	64·2	53·1	44·3	38·4
Clothing trade	73·8	—	48·6	—
Shoe industry	79·2	—	59·9	—
Brewing	105·2	93·2	—	59·5
Confectionery	80·0	68·3	—	45·9
Railways	78·7	64·4	—	—
Posts	73·4	62·8	—	—
Total	78·3	62·2	51·6	43·4

APPENDIX XX.

GERMAN UNEMPLOYMENT.

BY TRADES, JANUARY, 1933 TO JANUARY, 1936.
(In thousands).

Branch of Trade.	January, 1933.	August, 1933.	+Increase. —Decrease.		August, 1934.	+Increase. —Decrease.		August, 1935.	+Increase. —Decrease.		270
			January, 1934,	August, 1933, to January 1934.		January, 1935.	August, 1934, to January, 1935.		January, 1936.	August, 1935, January, 1936.	
(A) Workers:—											
1. Agriculture ...	283·5	82·4	112·8	+ 30·4	53·5	96·1	+ 42·5	30·4	71·9	+ 41·6	
2. Forestry and Fisheries ...	32·9	19·9	15·3	— 4·6	13·6	13·7	+ 0·1	9·2	11·0	+ 1·8	
3. Mining Industry	173·1	144·5	122·7	— 21·8	99·1	99·6	+ 0·5	75·7	85·0	+ 9·3	
4. Stone and Earths Industry ...	220·4	103·6	121·6	+ 18·0	58·0	107·8	+ 49·8	36·0	84·3	+ 48·3	
5. Iron and Metal Industry ...	927·5	670·8	547·6	— 123·2	313·6	316·1	+ 2·5	178·5	221·8	+ 43·3	
6. Musical Instru- ments and Toys	20·7	15·1	15·4	+ 0·3	9·5	11·1	+ 1·6	5·8	8·1	+ 2·3	
7. Chemical Industry	24·1	21·0	17·5	— 3·5	12·0	11·4	— 0·6	8·0	8·6	+ 0·6	
8. Rubber and As- bestos industry	9·7	8·3	6·7	— 1·6	5·0	4·7	— 0·3	3·0	3·4	+ 0·4	
9. Textile industry	192·4	136·9	104·8	— 32·1	67·9	67·9	—	60·1	71·7	+ 11·6	
10. Paper industry ...	49·2	40·7	32·3	— 8·4	23·6	22·0	— 1·6	16·0	18·2	+ 2·2	
11. Leather industry	54·2	38·5	35·0	— 3·5	21·5	25·5	+ 4·0	16·2	20·2	+ 4·0	
12. Wood and wood- working industry	303·9	191·9	171·9	— 20·0	97·9	127·1	+ 29·2	69·4	108·0	+ 38·6	
13. Foodstuffs ...	154·5	117·4	104·2	— 13·2	71·6	81·1	+ 9·5	59·4	80·3	+ 20·9	
14. Clothing... ..	242·2	166·9	147·5	— 19·4	83·4	102·4	+ 19·0	78·5	98·7	+ 20·2	
15. Hospitals ...	28·8	20·6	21·2	+ 0·6	12·5	14·0	+ 1·5	10·3	13·6	+ 3·3	
16. Building... ..	608·6	292·6	336·3	+ 43·7	164·5	380·5	+ 216·0	78·4	310·7	+ 232·3	
17. Printing... ..	54·2	51·5	43·8	— 7·7	33·8	32·9	— 0·9	25·3	28·4	+ 3·1	

18. Cleaning and Disinfecting ...	11·4	10·4	9·3	—	1;1	5·9	5·6	—	0·3	3·7	4·3	+	0·6
19. Theatres, Concerts, etc. ...	4·7	2·1	1·6	—	0·5	1·3	1·3	—	—	0·9	0·7	—	0·2
20. Hotels and Restaurants ...	103·6	79·8	84·4	+	4·6	53·0	61·4	+	8·4	39·7	53·7	+	14·0
21. Traffic ...	362·6	267·7	255·4	—	12·3	176·6	200·6	+	24·0	128·2	163·8	+	35·6
22. Domestic Services Including 22A—	229·4	171·6	113·8	—	57·8	71·6	64·2	—	7·4	50·7	58·9	+	8·2
Servants... ..	—	—	—	—	—	31·5	28·4	—	3·1	21·4	29·6	+	8·2
23. Unskilled workers Including 23A* ...	1,301·7	925·6	887·4	—	38·2	614·1	815·9	+	201·8	486·5	738·3	+	251·8
Including No. 16, "Building" ...	—	473·0	462·6	—	10·4	297·8	412·6	+	114·8	209·8	349·1	+	139·3
23B. Remaining unskilled workers	—	452·5	424·8	—	27·7	316·3	403·3	+	87·0	276·7	389·1	+	112·4
24. Engine drivers and stokers†	42·7	30·5	28·7	—	1·8	17·2	20·6	+	3·4	11·2	16·6	+	5·4
Total of Workers ...	5,435·9	3,610·3	3,337·3	—	273·0	2,080·5	2,683·3	+	602·8	1,481·1	2,280·3	+	799·2
(B) Administrative employees.													
25. Clerks ...	419·7	376·0	313·7	—	62·3	228·1	206·9	—	21·2	163·4	174·0	+	10·6
26. Technical employees ...	100·2	77·6	63·0	—	14·6	40·0	36·9	—	3·1	23·1	26·2	+	3·1
27. Other employees	57·8	60·4	58·8	—	1·6	49·0	46·4	—	2·6	38·6	40·0	+	1·4
Total of employees (unemployed)...	577·7	514·0	435·5	—	78·5	317·1	290·3	—	26·8	225·1	240·2	+	15·1
Total of all Trades ...	6,013·6	4,124·3	3,772·8	—	351·5	2,997·6	2,973·5	+	575·9	1,706·2	2,520·5	+	814·3

* In so far as they were actually working at least 26 weeks during the last 32 weeks of their employment in one of the groups mentioned above

† Except those engaged in Mining Industries and on Ships.

APPENDIX XXI.

TABLE "A."

COMMERCIAL TREATIES SIGNED AND RATIFIED DURING 1935.

<i>Country.</i>	<i>Date of Signature.</i>	<i>Subject.</i>	<i>Date of Ratification.</i>	<i>Date of Entry into Force.</i>	<i>Date of Expiration.</i>	<i>Remarks.</i>
<i>Irish Free State...</i>	28.1.35	Exchange of Notes on Commercial Relations. Value of Irish Exports to Germany in relation to value of German exports to the Irish Free State in ratio of 1 : 3.	—	1.2.35	31.12.35	—
	26.11.35	Exchange of Notes prolonging validity of above Agreement to 31st March, 1936.	—	—	31.3.36	—
<i>France</i>	11.2.35	Agreement concerning Customs Sovereignty in the Saar Area. Signed at Rome, but given legal effect in Germany by decree regarding Customs Administration in the Saar Area of 13th February, 1935.	—	18.2.35	—	—
	14.2.35	Supplement to Franco-German Agreement re Exchange of Goods of 28th July, 1934. Provides for duty-free quota of milk for import into Saar Area, and for certain reduced French duties on Saar industrial products.	—	18.2.35	30.6.35	Prolonged. See below.
	21.2.35	Agreement concerning Exchange of Goods between France and Saar Area ; supplementing Agreement of 14th February ; containing lists of quotas in respect of reciprocal exchange of goods.	—	27.2.35	30.6.35	Prolonged. See below.
	18.2.35	Agreement re transfer of French Government's share in the mines, railways and other immovable property in the Saar Area.	27.2.35	28.2.35	—	Signed at Naples.
	31.3.35	Agreement prolonging the Agreement re Exchange of Goods and the Clearing until 30th June, 1935.	—	1.4.35	30.6.35	See section, "Treaties lapsed."

			25.6.35	Agreement concerning Prolongation of Supplements of 14th and 21st February, 1935, to the Agreement on the Exchange of Goods, dealing with trade between France and Saar Area.	—	1.7.35	31.8.35	Prolonged. See below.
			31.8.35	Agreement prolonging Supplements of 14th and 21st February, 1935, re trade with Saar until 30th September, 1935.	—	1.9.35	30.9.35	—
<i>Belgium</i>	...	...	27.7.35	Ninth Supplement to German-Belgian Commercial Agreement of 1925; contains some tariff alterations.	—	12.8.35	—	Provisionally in force
<i>Netherlands</i>	...	...	23.12.35	Agreement on Exchange of Goods during 1936	—	1.1.36	31.12.36	—
<i>Denmark</i>	...	...	22.12.34	Exchange of Notes prolonging validity of Agreement regulating Exchange of Goods of 1st March, 1934, to 31st January, 1935.	—	1.1.35	31.1.35	—
			24.1.35	Agreement prolonging the Agreement on Exchange of Goods of 1st March, 1934, to 31st December, 1935.	—	27.1.35	31.12.35	—
			23.12.35	Exchange of Notes prolonging the Agreement on the Exchange of Goods of 24th January, 1935, to 31st January, 1936.	—	1.1.36	31.1.36	—
<i>Finland</i>	...	...	15.8.34	Exchange of Notes fixing duty-free import quota for Iceland Moss.	5.2.35	15.2.35	—	(Ratification.)
			25.9.34	Exchange of Notes amending German import quota for Finnish cardboard fixed in treaty of 24th March, 1934.	5.2.35	15.2.35	—	(Ratification.)
			21.12.35	Protocol prolonging Commercial Treaty of 24th March, 1934, until end of 1936.	—	—	31.12.36	—
			25.9.35	Agreement for Avoidance of Double Taxation in respect of direct taxes.	31.12.35	1.1.36	—	According to Press.
			25.9.35	Agreement dealing with legal assistance in Taxation matters.	31.12.35	1.1.36	—	According to Press.

APPENDIX XXI.—*continued.*

<i>Country.</i>	<i>Date of Signature.</i>	<i>Subject.</i>	<i>Date of Ratification.</i>	<i>Date of Entry into Force.</i>	<i>Date of Expiration.</i>	<i>Remarks.</i>
<i>Latvia</i>	4.12.35	Agreement on Exchange of Goods	21.12.35	1.1.36	31.12.36	But to remain in force not longer than Commercial Agreement of 28.6.26.
<i>Estonia</i>	4.1.35	Agreement on the Exchange of Goods. Contains quotas for Estonian agricultural goods and duty reductions and exemptions for imports into Estonia.	—	14.1.35	31.12.35	Provisionally in force
<i>U.S.S.R.</i>	9.4.35	Credit Agreement providing for 200 million R.M. Russian orders to be placed in Germany, apart from current business, within one year.	—	—	—	—
	1.4.35	General Terms for Deliveries to the U.S.S.R. from Germany.	—	—	—	—
	23.8.35	Exchange of Notes re ex-territoriality of premises of U.S.S.R. Trade Delegation in Berlin.	—	7.9.35	—	—
<i>Poland</i>	26.5.35	Agreement on Social Insurance amending and supplementing the Agreement of the 11th June, 1931.	—	Partly with retrospective effect as from 1.9.33 and 1.1.34, and partly as from 1.7.35.		—
	4.11.35	Economic Agreement based on most favoured nation treatment ; contains tariff concessions and quotas ; includes Danzig.	—	20.11.35	31.10.36	Subject to 3 months' notice. Will run on automatically if not denounced.

<i>Czechoslovakia</i> ...	20.11.34	Protocol concerning the Exchange of Goods between Germany and Czechoslovakia.	—	1.12.34	—	Not published in Germany.
	23.12.35	Protocol relating to the Exchange of Goods during 1936. Prolongs previous Agreement with the exception of a few changes.	—	—	—	According to Press Text not available.
<i>Hungary</i> ...	22.7.33	First Supplement to Commercial Treaty of 1931 ...	27.2.35	14.3.35	—	(Ratification.)
	23.7.34	Exchange of Notes amending Commercial Treaty of 1931.	27.2.35	13.3.35	—	(Ratification.)
<i>Roumania</i> ...	26.2.35	Exchange of Notes prolonging until 31.3.35 commercial treaty of 1930 and Supplementary Protocol of 1931, which had been denounced to expire on 15.12.34.	—	—	31.3.35	—
	23.3.35	Treaty of Settlement, Commerce and Navigation; based on most favoured nation treatment; contains tariff concessions by either party.	—	1.4.35	1.4.37	Provisionally in force; unless denounced 6 months before expiration will remain in force indefinitely.
<i>Turkey</i> ...	15.4.35	Second Supplement to Commercial Treaty of 1930. Contains tariff alterations and quotas.	—	1.5.35	Not before 30.4.36	Provisionally in force.
<i>Italy</i> ...	12.12.33 and 29.3.34	Exchanges of Notes concerning import of Italian rayon into Germany.	18.12.34	18.12.34	31.12.35	(Ratification.)
	20.12.35	Exchange of Notes prolonging and amending the above.	—	—	Not before 31.12.36	To be put provisionally into force at a date yet to be fixed.
<i>Portugal</i> ...	13.4.35	Supplement to Commercial Agreement of 1926; deals chiefly with shipping.	—	23.4.35	—	Subject to 1 month's notice.

APPENDIX XXI.—*continued.*

<i>Country.</i>	<i>Date of Signature.</i>	<i>Subject.</i>	<i>Date of Ratification.</i>	<i>Date of Entry into Force.</i>	<i>Date of Expiration.</i>	<i>Remarks.</i>
<i>Switzerland</i>	19.2.35	Agreement amending Final Protocol to Fourth Supplement to Agreement on Exchange of Goods of November, 1932; provides for new arrangement for import of Swiss cheese into Germany.	—	1.3.35	—	Provisionally in force.
	7.3.35	Seventh Supplement to German-Swiss Agreement on Exchange of Goods of 1932; reduces German duties for quotas on chloralhydrate and silk bolting cloth; increases quota on cotton yarn; introduces quota for internal combustion motors for motor cycles.	—	21.3.35	—	Provisionally in force.
<i>Spain</i>	19.12.35	Arrangement prolonging Supplement to German-Spanish commercial treaty of 1926.	—	—	31.1.36	According to Press.
<i>Iraq</i>	4.8.35	Commercial Treaty, based on most favoured nation treatment.	—	15 days after ratification.	—	Indefinitely in force; subject to 3 months' notice.
<i>Chile</i>	26.12.34	Commercial Treaty; provides for most favoured nation treatment; deals with duty-free quota of 80,000 tons of Chile Saltpetre.	25.9.35	5.10.35	31.12.35	Provisionally applied since 1.2.35.
	26.9.35	Exchange of Notes re additional duty-free quota of 5,120 tons of Chile Saltpetre before 30.10.35.	—	10.10.35	—	—
	25.9.35	Exchange of Notes prolonging Commercial Treaty to 31.12.36.	—	1.1.36	31.12.36	Provisionally in force.
<i>U.S.A.</i>	3.6.35	Commercial Agreement prolonging that of 1924, but excluding most favoured nation clause.	7.10.35	14.10.35	—	—

<i>The Argentine</i>	19.10.35	Protocol prolonging to 1st November, 1936, Commercial Treaty and Payments Agreement of 28th September, 1934.	—	1.11.35	1.11.36	Text not published in Germany.
-----------------------------	----------	--	---	---------	---------	--------------------------------

TABLE "B."

CLEARING AGREEMENTS CONCLUDED DURING 1935.

<i>Country.</i>	<i>Date of Signature.</i>	<i>Subject.</i>	<i>Date of Ratification.</i>	<i>Date of Entry into Force.</i>	<i>Date of Expiration.</i>	<i>Remarks.</i>
<i>France</i>	16.2.35	Agreement in respect of Commercial Payments to and from Saar Area. Provides for payments by Saarland debtors to France and French debtors to the Saar, arising from delivery of goods, to be made under Franco-German Clearing, whether debts fell due before or after 18th February, 1935.	—	—	—	According to press not published in Germany.
<i>Belgium</i>	January, 1935.	Supplement to Clearing Agreement of 5.9.34, dealing with incidental expenses.	—	—	—	According to press. Text not available.
	January, 1935.	Supplement to Clearing Agreement of 5.9.34, fixing Belgian quota for deliveries to Germany during first quarter of 1935.	—	—	—	" "
	23.5.35	Second Supplementary Protocol to Clearing; extends clearing to payments of wages for trafic de perfectionnement.	—	1.5.35	—	Put into force with retrospective effect.
	27.7.35	Payments Agreement of the type of Anglo-German Payments Agreement.	—	1.8.35	—	Subject to one month's notice.
	20.12.35	Second Supplementary Protocol to Payments Agreement.	—	20.12.35	—	—
<i>Netherlands</i>	5.12.34	Clearing Agreement	15.5.35	30.5.35	—	(Ratification).

APPENDIX XXI—continued.

<i>Country.</i>	<i>Date of Signature.</i>	<i>Subject.</i>	<i>Date of Ratification.</i>	<i>Date of Entry into Force.</i>	<i>Date of Expiration.</i>	<i>Remarks.</i>
<i>Denmark...</i>	January, 1935.	Clearing Agreement	—	—	—	Text not published in Germany.
	March, 1935.	Clearing Agreement revising that in January, 1935...	—	—	—	" "
<i>Norway</i>	31.12.34	Clearing Agreement amending that of 6th September, 1934.	—	1.1.35	—	Will remain in force as long as Agreement of 6th September, 1934.
	19.3.35	Second Agreement amending Clearing of 6th September, 1934.	—	1.4.35	—	Subject to 14 days' notice on 1st or 15th of any month.
<i>Sweden</i>	22.12.34	Clearing Agreement	—	1.1.35	—	Indefinitely in force; subject to 14 days' notice.
	19.7.35	Clearing Agreement amending that of 22.12.34 ...	—	—	—	Not published in Germany.
<i>Finland</i>	29.5.35	Agreement prolonging Clearing of 2nd October, 1934, to 31st December, 1935.	—	1.6.35	31.12.35	—
	21.12.35	Protocol prolonging Clearing to 31st December, 1936	—	—	31.12.36	—
<i>Poland</i>	4.11.35	Clearing Agreement; excludes payments for transit traffic and sea freights. Both Clearing Accounts	—	20.11.35	31.10.36	—

to be controlled by Government Committees set up under terms of Economic Agreement; includes Danzig.

<i>Czechoslovakia</i>	...	...	20.11.34	Protocol of Signature to the Protocol concerning Payments arising from the Exchange of Goods, dated 20.11.34*	—	1.12.34	—	Not published in Germany.
			20.11.34	Confidential Protocol to the Protocol concerning Payments arising from the Exchange of Goods. * Enumerated in last year's list.	—	—	—	" "
<i>Hungary</i>	...	...	27.3.34	Agreement relating to Commercial Payments	...	27.2.35	27.2.35	— (Ratification.)
			2.12.35	Agreement relating to Commercial Payments	...	—	5.12.35	— Provisionally in force. Replaces Agreement of 27.3.34.
<i>Roumania</i>	...	...	24.6.35	Clearing Agreement	...	—	1.4.35	To remain Put into force with valid as retrospective effect. long as Replaces clearing of Commercial Treaty. 8.3.33.
			7.9.35	Supplement to Clearing. Places German imports into Roumania on same level as imports from other foreign countries in respect of Roumanian 44 per cent. ad valorem import levy. Roumanian imports no longer subject to similar levy introduced by Germany for Roumanian imports on July 1st, 1935.	...	—	1.9.35	To remain Put into force with in force as retrospective effect. long as If denounced before Clearing. 15th of any month will terminate at end of that month.
<i>Italy</i>	...	...	26.9.34	Clearing Agreement	...	28.1.35	29.1.35	— (Ratification.)

APPENDIX XXI—continued.

Country.	Date of Signature.	Subject.	Date of Ratification.	Date of Entry into Force.	Date of Expiration.	Remarks.
Switzerland	8.12.34	Supplement to Clearing Agreement of 26.7.34. Chief amendments are: Tourist Account eliminated from Clearing and set off against German coal deliveries. 12 per cent. of all payments into Clearing Account at Swiss National Bank to be set aside for German Clearing Office, but amount not to exceed 5 million francs per month.	—	1.1.35	—	Provisionally in force.
	17.4.35	Clearing Agreement; replaces Clearing of 26.7.34 and its Supplement of 8.12.34.	11.10.35	26.10.35	30.6.39	Provisionally in force since 1.5.35.
Portugal	13.4.35	Clearing Agreement	—	23.4.35	—	Subject to one month's notice.
Iran	30.10.35	Clearing Agreement	—	15.11.35	—	Provisionally in force. Subject to 3 months' notice to be given at earliest 6 months after provisional date of entry into force.
Chile	26.12.34	Clearing Agreement	25.9.35	5.10.35	31.12.35	Provisionally in force since 1st February, 1935. Prolonged to 31.12.1936.
Colombia... ..	5.11.35	Clearing Agreement	—	5.11.35	5.11.36	Subject to 90 days' notice.

<i>Brazil</i>	February, 1935.	Clearing Agreement	...	...	...	...	...	—	—	—	Text not published in Germany.
<i>Uruguay</i> ...	15.11.34	Clearing Agreement	...	...	...	...	...	—	1.12.34	—	According to Circular of German Devisen Office. Text not available.
<i>The Argentine and France</i>	—	For Clearing Agreement, see under "Commercial Treaties."	—	—	—	—	—	—	—	—	—
		For French Clearing, see also under "Treaties lapsed."	—	—	—	—	—	—	—	—	—

TABLE "C."

BARTEE AGREEMENTS.

<i>Country.</i>	<i>Date of Signature.</i>	<i>Subject.</i>	<i>Date of Entry into Force.</i>	<i>Remarks.</i>
<i>Union of South Africa</i> ...	31.12.34	Exchange of Notes containing so-called Wool Agreement, which provides for exchange of 30 million RM. worth of South African wool for German industrial products.	31.12.34	Prolonged in May, 1935, to 30th November, 1935.
	8.5.35	Supplementary Agreement, extends provisions to other South African products (chiefly hides and skins) totalling £460,000.	—	—
	18.12.35	Agreement replacing Wool Agreement and Supplement. Sum involved £3,000,000 of following South African products: wool, caracul furs, ores, hides and skins, tanning bark and extract, maize and fruit. Payment as under Wool Agreement.	1.12.35	To remain in force until 30.11.36. According to press; text not available.

APPENDIX XXI—continued.

TABLE "D."

TREATIES LAPSED DURING 1935.

<i>Country.</i>	<i>Date of Expiration.</i>	<i>Subject.</i>
<i>France</i>	31.7.35	Agreement relating to Exchange of Goods of 28th July, 1934, and Clearing Agreement of same date. These instruments had been denounced by France on 31st May, 1935, to terminate on 30th June, 1935. They were subsequently prolonged until 15th July, and again until the 31st July, 1935, while negotiations were proceeding, but no new agreement was then arrived at.
<i>Poland</i>	15.10.35	Compensation Agreement of the 11th October, 1934.
<i>Guatemala</i>	30.11.35	Commercial Treaty of 4th October, 1924.

APPENDIX XXII

COMPARISON OF WORKERS EMPLOYED IN GERMANY IN 1934 AS AGAINST 1932 FROM RETURNS OF FACTORY INSPECTION DEPARTMENT.

Branch of trade.	Increase or Decrease (—) in 1934.		Branch of trade.	Decrease (—) in 1934.	
	Number.	Per cent.		Number.	Per cent.
Building trade ...	379,200	180·0	Carpets ...	3,348	23·5
Concrete ...	6,669	127·5	Collars, corsets ...	2,745	23·1
Iron constructions ...	15,160	115·0	Optical goods ...	14,633	23·1
Building auxiliary trades ...	53,130	107·7	Clothing ...	33,819	21·6
Vehicles and Aero- planes ...	93,541	101·4	Textile finishing ...	10,921	19·8
Earthenware ...	8,132	98·9	Chocolate ...	7,514	19·6
Foundries ...	23,880	81·5	Ropes ...	1,969	19·5
Leather goods ...	11,710	80·9	Waterworks ...	1,961	19·1
Shipbuilding ...	21,013	80·5	Electric power ...	13,481	18·7
Carriage building ...	7,545	78·7	Trimmings ...	3,846	18·5
Sand and Clay ...	8,531	78·3	Milling ...	5,267	18·0
Stone working ...	39,913	75·8	Butchers ...	10,090	17·9
Rayon ...	10,787	70·0	Preserves ...	3,682	16·9
Saw mills ...	40,319	66·2	Curtains ...	3,696	16·6
Railway wagons ...	8,793	66·1	Wine and mineral waters ...	3,638	14·9
Bricks ...	49,584	63·9	Paperware ...	9,125	13·6
Plumbers ...	10,307	59·5	Starch ...	1,957	13·4
Furniture ...	54,456	57·5	Wholesale trade (ex- cept books and tobacco) ...	30,471	12·3
Fishing ...	6,112	56·7	Tobacco ...	10,861	11·7
Iron and steel ...	60,965	56·4	Coal mining ...	33,855	10·7
Machinery ...	156,456	56·3	Bakery ...	8,451	10·6
Lime, cement ...	10,793	54·0	Publishing and book shops ...	3,219	10·5
Bast fibres ...	19,688	50·2	Dairying ...	2,988	10·3
Boilers ...	20,486	49·4	Paper-making ...	7,886	9·7
Iron Ore mining ...	8,921	49·1	Lignite ...	7,583	9·3
Electrical goods ...	87,324	48·5	Toys ...	1,055	8·5
Metal works... ..	19,542	48·4	Vegetable oils and fats	1,547	8·1
Masonry ...	4,637	48·1	Transport ...	8,760	7·9
Locksmiths ...	12,237	45·0	Breweries ...	4,861	6·8
Iron and steelware...	73,040	44·7	Gas ...	2,677	6·4
Linoleum ...	1,334	41·9	Salt mining ...	487	4·6
Blacksmiths ...	2,377	40·2	Retail trade (except tobacco and books)	15,022	4·2
Silk ...	13,010	40·1	Restaurants ...	5,274	3·4
Base metalware ...	36,232	38·3	Printing ...	5,670	2·9
Paper finishing ...	2,743	37·9	Musical instruments	317	2·7
Woodware ...	12,194	37·2	Peat processing ...	173	2·4
Oil boring ...	814	36·5	Wallpaper ...	12	0·4
Wool... ..	45,421	34·1	Sugar... ..	228	0·3
Ceramic industry ...	16,523	30·3	Hats and caps ...	159	— 0·5
Hosiery ...	34,250	29·7	Furriers ...	311	— 2·7
Insurance ...	13,691	27·2	Banks ...	2,553	— 2·8
Glass... ..	12,635	26·7	Coffee roasting indus- try... ..	446	— 3·3
Cotton ...	52,391	26·3	Laundries and clean- ing ...	1,802	— 4·8
Footwear ...	21,561	25·2			
Chemicals ...	53,160	25·1			
Brushes ...	2,675	24·9			
Leather ...	7,936	24·1			
Rubber, asbestos ...	9,529	23·6			

APPENDIX XXIII

RESULTS OF INDUSTRIAL CENSUS IN 1925 AND 1933.

Branch of industry.	Number of works.			Number of workers.		
	1933.	1925.	Increase or Decrease in 1933.	1933.	1925.	Increase or Decrease in 1933.
			Per cent.			Per cent.
Mining	1,246	2,942	— 57.7	419,530	808,593	— 48.1
Stone and earths industry	34,044	34,923	— 2.5	401,454	685,286	— 41.4
Iron and steel	1,586	2,137	— 25.8	226,590	544,488	— 58.4
Metal works	1,180	1,378	— 14.4	46,595	74,880	— 37.8
Iron and steelware	156,137	150,350	+ 3.8	586,439	864,574	— 32.2
Machinery	41,824	41,310	+ 1.2	608,528	1,240,501	— 51.0
Electrical industry	27,469	21,933	+ 25.2	248,007	448,044	— 44.7
Optical goods... ..	22,554	24,510	— 8.0	101,087	150,795	— 33.0
Chemicals	7,744	8,770	— 11.7	246,723	320,287	— 23.0
Textiles	67,197	122,987	— 45.4	843,308	1,212,437	— 30.5
Papermaking... ..	10,810	14,130	— 23.5	182,021	271,770	— 33.0
Printing	24,850	21,877	+ 13.6	252,640	306,652	— 17.6
Linoleum	34,773	33,627	+ 3.4	119,873	165,356	— 27.5
Rubber, asbestos	2,190	1,357	+ 61.4	48,026	68,317	— 29.7
Woodware	213,623	219,179	— 2.5	606,471	950,810	— 36.2
Musical instruments and toys	10,822	20,131	— 46.3	37,779	119,437	— 68.4
Foodstuffs	301,649	293,373	+ 2.8	1,413,752	1,365,499	+ 3.5
Clothing	533,822	577,384	— 7.6	1,041,440	1,354,827	— 23.1
Building	260,299	220,182	+ 18.2	1,007,084	1,519,034	— 33.7
Power	8,040	11,426	— 29.6	141,123	148,151	— 4.8
Cleaning	136,070	85,600	+ 59.0	316,241	204,655	+ 54.5
<i>Trade.</i>						
Wholesale trade	148,289	177,827	— 16.6	669,599	852,527	— 21.5
Retail trade	843,523	784,011	+ 7.6	1,920,864	1,689,625	+ 13.7
Other trades	197,688	147,728	+ 33.8	425,575	372,307	+ 14.3
Banks and insurance	48,723	62,495	— 22.0	390,226	388,220	+ 0.5
Transport	124,434	92,942	+ 33.9	1,291,377	1,471,753	— 12.3
Restaurants	250,084	259,118	— 3.5	789,570	723,028	+ 9.2

Reports by H.M. Trade Commissioners, Commercial Diplomatic and Consular officers on commercial and financial conditions in the following countries, issued, or in course of preparation, by the Department of Overseas Trade.

A.—During the year 1934.

No.			No.		
577	Angola	1s. 6d. (1s. 7d.)	580	Netherlands ...	3s. 0d. (3s. 2d.)
563	Belgian Congo ...	2s. 6d. (2s. 8d.)	585	Norway	2s. 6d. (2s. 8d.)
583	Brit. E. Africa ...	3s. 3d. (3s. 5d.)	572	Paraguay... ..	1s. 6d. (1s. 7d.)
571	Costa Rica	1s. 0d. (1s. 1d.)	592	Peru	2s. 0d. (2s. 1d.)
581	France	7s. 0d. (7s. 9d.)	590	Portugal	2s. 6d.
562	French W. Africa	1s. 6d. (1s. 7d.)	589	Syria	1s. 6d. (1s. 7d.)
579	Greece	2s. 0d. (2s. 2d.)	591	Turkey	1s. 6d. (1s. 7d.)
588	Morocco	2s. 3d. (2s. 5d.)	584	Yugoslavia ...	2s. 0d. (2s. 1d.)

B.—During the year 1935.

No.			No.		
616	Algeria, Tunisia and Tripolitania	3s. 0d. (3s. 2d.)	598	Honduras... ..	1s. 9d. (1s. 10d.)
626	Australia	3s. 6d. (3s. 8d.)	593	India	4s. 0d. (4s. 4d.)
625	Austria	2s. 6d. (2s. 8d.)	622	Iran	2s. 3d. (2s. 4d.)
613	Belgium	3s. 0d. (3s. 2d.)	604	Japan	3s. 6d. (3s. 9d.)
602	Brit. Malaya	2s. 0d. (2s. 2d.)	603	Latvia	1s. 6d. (1s. 7d.)
594	Brit. W. Indies ...	4s. 0d. (4s. 2d.)	618	Newfoundland ...	2s. 0d. (2s. 1d.)
595	Bulgaria	2s. 6d. (2s. 8d.)	596	Nicaragua	1s. 0d. (1s. 1d.)
619	Canada	4s. 0d. (4s. 3d.)	620	Palestine	3s. 0d. (3s. 2d.)
597	Chile	2s. 6d. (2s. 8d.)	601	Persian Gulf ...	1s. 3d. (1s. 4d.)
623	China	3s. 0d. (3s. 2d.)	611	Philippine Islands	9d. (10d.)
614	Cuba	1s. 6d. (1s. 7d.)	609	Poland	1s. 6d. (1s. 7d.)
615	Cyprus, Malta and Gibraltar	2s. 6d. (2s. 8d.)	624	Port. E. Africa ...	2s. 0d. (2s. 1d.)
612	Czechoslovakia ...	2s. 0d. (2s. 2d.)	607	Siam	1s. 9d. (1s. 10d.)
617	Denmark	2s. 6d. (2s. 8d.)	606	Spain	1s. 6d. (1s. 7d.)
599	Ecuador	1s. 6d. (1s. 7d.)	605	Sweden	3s. 0d. (3s. 2d.)
621	Egypt	3s. 0d. (3s. 2d.)	600	United States ...	5s. 0d. (5s. 3d.)
			610	Venezuela	1s. 6d. (1s. 7d.)

C.—During the year 1936.

No.			No.		
—	Argentine	(In preparation)	—	Mexico	(In preparation)
630	Brazil	2s. 6d. (2s. 8d.)	637	Neth. E. Indies ...	2s. 0d. (2s. 2d.)
638	Dominican Rep. and Hayti	1s. 3d. (1s. 4d.)	—	Poland	(In preparation)
636	Estonia	9d. (10d.)	—	Roumania	(See cover)
635	Finland	1s. 3d. (1s. 5d.)	631	Salvador	6d. (7d.)
—	Germany	(In preparation)	633	South Africa ...	1s. 3d. (1s. 5d.)
629	Hungary	1s. 0d. (1s. 1d.)	684	S. and N. Rhodesia and Nyasaland	1s. 3d. (1s. 5d.)
627	Iraq	1s. 0d. (1s. 1d.)	—	Switzerland	(In preparation)
632	Lithuania... ..	9d. (10d.)	628	Uruguay	9d. (10d.)

Annual subscriptions for the above reports, including postage to any part of the world, £2.

(The above publications can be obtained from the addresses given on the title page of this report. All prices are net, and those in parenthesis include postage.)