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ECONOMIC AND FINANCIAL SECTION

INTERNATIONAL ECONOMIC CONFERENCE

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DOCUMENTATION

PRINCIPAL FEATURES AND PROBLEMS
OF THE WORLD ECONOMIC POSITION
FROM THE POINT OF VIEW OF THE
DIFFERENT COUNTRIES

(First part of the Programme of the Conference.)

AUSTRIA

LUXEMBURG

FINLAND

NETHERLANDS

GREAT BRITAIN

SWEDEN

GENEVA, 1927

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NOTE BY THE SECRETARIAT.

The first part of the agenda of the Economic Conference contains a paragraph which refers to " the principal features and problems of the world economic position from the point of view of the different countries ". The Preparatory Committee suggested that members of the Conference desirous of submitting statements under this heading should be invited to send them in writing to the Secretariat of the League of Nations some time before the meeting of the Conference.

In Circular Letter No. 155. 1926. II of December 31st, 1926, the Secretary-General of the League of Nations drew the attention of all the Governments invited to the Conference to the suggestion of the Preparatory Committee.

The present booklet contains statements received by the Secretariat up to March 31st, 1927, and transmitted by the members nominated by the Governments of Austria, Finland, Great Britain, Luxemburg, the Netherlands and Sweden. Any statements which may be forwarded to the Secretariat after this date will be published as soon as received.

AUSTRIA.

Statement submitted by the Austrian Members of the Conference.

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1.

After the Austro-Hungarian Monarchy had been dismembered, Austria had to reconstruct her economic system on completely different lines. Under the conditions which prevailed immediately after the war, such a reconstruction seemed almost impossible. Austria could only obtain raw materials with great difficulty and in insufficient quantities. Agriculture had suffered considerably from the effects of the war. Further, the situation with regard to food supply was so bad that it was necessary to retain the restrictive measures introduced during the war (maximum prices, food rations, etc.), which, again, by their very nature, had an unfavourable influence on output. Further, neighbouring States cut themselves off from each other by introducing import and export prohibitions, which have been scarcely mitigated at all, or by concluding complicated and often unsatisfactory agreements regarding import and export quotas.

Attempts to work out an economic system for the new State could only be made, once the initial difficulties had been overcome and Austria's pressing need in respect of food supplies had been relieved by means of credits for economic reconstruction. These attempts, which began to take shape about the end of 1920, were, however, interrupted by the complete collapse of the financial structure. The value of the currency depreciated at an ever-increasing rate, falling in the summer of 1922 to a 15,000th part of its gold parity. Simultaneously, the steady course of inflation had led to the destruction of capital on a large scale. Nevertheless, Austria enjoyed the artificial prosperity which always accompanies rapid inflation: the average number of unemployed in receipt of relief, which in 1920 was about 33,000, fell to not more than 11,000 in 1921.

2.

The stabilisation of the currency and the reform of public finances, undertaken under the auspices of the League of Nations, marked the turning-point in Austria's economic evolution. All efforts were concentrated on balancing the budget.

Industrial development is reflected in the following table :

Year	Coal, in thousand tons	Steel, in thousand tons	Paper, in thousand tons	Cotton yarn, in thousand tons	Cotton piece goods, in million meters
1919	2.1	162	—	—	—
1920	2.5	229	94.3	—	—
1921	2.6	351	127.7	9.7	45
1922	3.3	481	151.1	19.3	60
1923	2.8	499	152.8	18.1	70
1924	2.9	370	172.1	20.1	75
1925	3.2	464	191.0	26.6	55
1926	3.1	474	197.8	23.2	60

The following table shows agricultural development :

	Land under cultivation in hectares		Crop, in thousand tons	
	1920	1926	1920	1926
Wheat	149,971	198,320	147	271
Rye	287,573	386,850	255	491
Barley	96,459	143,430	95	215
Oats	253,642	308,020	231	454
Potatoes	117,834	175,400	672	1,394
Sugar beet	7,317	19,400	130	508

At the same time, Austria set about developing her hydraulic power. As against a total output of 505,000 HP at the end of 1918, the output at the end of 1926 was 832,000 HP.

In spite of the stabilisation of the currency, exports did not fall off, but even showed an appreciable increase. Nevertheless, the increase stopped in 1925, and the year 1926 showed a distinct fall.

Year	IMPORTS		EXPORTS	
	Quantity in million quintals	Value in million schillings	Quantity in million quintals	Value in million schillings
1920	61	2,453	13	1,347
1921	81	2,448	14	1,311
1922	74	2,530	21	1,600
1923	77	2,768	22	1,626
1924	89	3,473	25	1,988
1925	82	2,891	32	1,954
1926	82	2,805	32	1,728

The distribution of Austrian exports among various countries is shown in the following table :

Importing Country	Exports in million schillings			
	1923	1924	1925	1926
Contiguous countries, Poland and Roumania	1,236	1,513	1,425	1,173
Other countries	379	474	529	540

Other characteristic symptoms indicate the success which attended the work of reconstruction in Austria after the currency had been stabilised.

Deposits with the banks and savings banks, which in 1913 amounted to 2,213.4 million gold crowns (3,162 million schillings), fell in July 1923 to 41.46 million schillings. In June 1924 they had already risen to 100.27 million schillings, in July 1925 to 331.29 million schillings and on September 30th, 1926, to 994.50 million schillings.

The discount rate of the National Bank, which on January 1st, 1924, was 9 per cent, had to be raised to 12 per cent on June 10th, 1924, and to 15 per cent on August 13th, 1924. By November 6th, 1924, the rate was able to be lowered to 13 per cent. It was subsequently reduced on April 25th, 1925, to 11 per cent, on July 24th, 1925, to 10 per cent and finally on February 8th, 1927, to 6 per cent.

The fall in the National Bank's rate of discount was accompanied by a corresponding fall in the rates charged by private banks to borrowers. These were at one time as high as 22½ per cent, whereas they are now 11½ per cent.

All these data show that Austria has actively pursued economic reconstruction. Nevertheless, the results obtained are far from satisfactory. The average number of unemployed in receipt of relief, which in 1923 was 109,800, fell in 1924 to 95,400, but rose again in 1925 to 150,000 and even to 176,500 in 1926. Exports of manufactured goods fell in 1926, and agriculture is seriously affected by the very unsatisfactory relation between the price of agricultural produce and its cost of production.

Austria has consistently tried to open the way for her exports of manufactured goods and commercial products by concluding commercial conventions. In the period immediately following upon the war, her efforts were concentrated on re-establishing interrupted trade relations by means of agreements containing the simple most-favoured-nation clause and providing for exemptions from import and export prohibitions by means of import quotas. The first Agreement of this kind was concluded on June 27th, 1920, with the Kingdom of the Serbs, Croats and Slovenes. It was followed shortly afterwards by a Convention with Roumania (August 14th, 1920) and another with Germany (September 1st, 1920). Later, there followed Conventions with Czechoslovakia (May 4th, 1921), the Union of Socialist Soviet Republics (December 7th, 1921), Hungary (February 8th, 1922), Bulgaria (March 9th, 1922) and Poland (September 25th, 1922). These agreements, although they did at least enable Austria to begin trading again with neighbouring countries, were not sufficient for the needs of her industries, particularly as Customs barriers began to grow up where import prohibitions had been removed.

These considerations prompted the Austrian Committee of the Council of the League of Nations, responsible for the financial reconstruction of Austria, to lay emphasis in its reports on the close connection between financial reconstruction and the solution of the economic problem, and to recommend the conclusion of bilateral commercial treaties; in pursuance of this recommendation, the Federal Government, in December 1922, approached all European Governments with a proposal to enter into negotiations for this purpose. The first Commercial Treaty containing stipulations as to tariff rates was concluded with Italy on April 28th, 1923. It was closely followed by a Treaty with France dated June 22nd, 1923, which was completed by an additional Agreement dated August 11th, 1924. The next Treaty was concluded with the Customs Union of Belgium and Luxemburg on December 14th, 1923. Treaties containing tariff clauses were subsequently concluded with Germany on July 12th, 1924, and Czechoslovakia on November 27th, 1924. These two Treaties and the additional Agreement with France, mentioned above, came into force on January 1st, 1925, simultaneously with the new Austrian Customs tariff. Until then, Austria had not introduced a new tariff, but had worked on the basis of the former Austro-Hungarian tariff of 1906, which naturally bore no relation to the new conditions.

It had, however, only been possible to draw up a new tariff after economic conditions had begun, as a result of currency reform, to show signs of stability and it had become possible to foresee, up to a point, the probable course of future development. In the new tariff Austria possessed at last a comparatively up-to-date instrument

for carrying out her commercial policy. The Treaties with Germany and Czechoslovakia, which had been drawn up with special reference to the new tariff, were based, in virtue of the previous agreements, on a reciprocal and unconditional most-favoured-nation clause.

Two additional Conventions have been concluded since, with Germany and Czechoslovakia. These have modified, in certain respects, the stipulations of the Treaties mentioned above. Negotiations with a view to revising the Treaty with Czechoslovakia are still proceeding.

The next Tariff Treaty was concluded with Spain on February 3rd, 1925. This Treaty, like that concluded with France, contains exceptions to the rule of the reciprocal most-favoured-nation clause. Nevertheless, Austria has been able to secure tariff concessions for her principal exports. There followed Tariff Treaties with the Kingdom of the Serbs, Croats and Slovenes (September 3rd, 1925), with Switzerland (January 6th, 1926), and finally with Hungary (April 9th, 1926). All these Treaties are also based on the reciprocal most-favoured-nation clause. Meanwhile, Austria concluded more or less detailed Treaties and Agreements with Brazil, China, Denmark, Abyssinia, Great Britain, Greece, Japan, Norway, the Netherlands, Portugal, Roumania, Sweden and Turkey. These agreements are mostly based on the most-favoured-nation clause, either with reciprocity or with mutual concession of the minimum tariffs in force in some of these countries. In some cases Austria has further agreed to consolidate the tariff rates applied to the principal commodities exported by these countries. Negotiations with other European countries (Albania, Estonia, Finland, Latvia, Lithuania), with a view to concluding conventions on the basis of the most-favoured-nation clause, are either about to reach a successful issue or at any rate are proceeding. The Austrian Government is also trying to conclude commercial conventions with American and Asiatic Governments and with the British Dominions, with a view to opening more distant markets to Austrian exports, and to removing the discrimination from which Austrian goods sometimes still suffer.

In spite of the Austrian Government's activity in the matter of commercial policy, and in spite of the facilities afforded in certain respects by the treaties concluded, progress has not been entirely free from setbacks. Often it was found that the advantages secured by certain treaties were counterbalanced by increases in Customs duties and trade restrictions. During the last few years, many Governments have placed their tariffs on a new basis, and all of them have availed themselves of this opportunity to increase the rates. Moreover, the movement in this direction still continues; further tariff revisions are announced in several countries and there is reason to fear new increases in rates.

Tariffs are not the only obstacles which are holding up the development of the export trade. We should mention, in this connection, first the restrictions applied in many countries to exchange dealings, which seriously hinder the financing of commercial transactions and even entail loss where the purchasing power of a currency at home is artificially maintained at a higher level than its purchasing power abroad. In many countries, debtors who are behindhand in their payments make use of these restrictions either to postpone for a fairly long time payment for goods received or to evade it altogether. This involves Austrian exporters in considerable loss and

prevents them from engaging in further transactions with such countries. One of the greatest obstacles to export, however, is the reintroduction of methods of commercial policy — such as import prohibitions — which were prevalent in the period immediately following the war, but which one might have thought had now been definitively discarded. This kind of barrier has seriously affected Austrian trade, exports to Poland, for instance, having fallen from 164.4 million schillings in 1925 to 71.9 million schillings in 1926.

These circumstances easily account for the decrease in Austrian exports during the past year. They also explain why the general feeling in Austria is that economic development has, since 1925, come to a standstill. Until that year, the process of adapting economic life to the new conditions and working out a new economic policy had been steadily pursued. But, since 1925, stagnation has set in, although a state of things which would be tolerable in the long run has not yet been reached. The Austrian Government has spared no effort in attempting to reach an agreement with neighbouring States which would go beyond the scope of ordinary commercial treaties. But these attempts have led to no practical results.

When it became clear that, in spite of every endeavour, the development of foreign trade had come to a standstill, a movement in favour of protection became noticeable in Austria also, and both industry and agriculture claimed, with growing insistence, the benefit of a Customs protection equal to that enjoyed by their competitors in neighbouring countries. This tendency led to two amendments in the Customs tariff in March and July 1926 ; a third amendment is now before the Chamber and aims mainly at protecting Austrian agriculture, the precarious situation of which has already been referred to. Austria is aware of the necessity for tariff stability. But the quite exceptional circumstances in which she has had to adapt her economic system to entirely new conditions have compelled her to resort to tariff adjustments.

Where such circumstances have arisen, the Austrian Government has never applied the new autonomous tariffs immediately and subsequently used them for purposes of bargaining ; it has only applied them after negotiations had been opened with foreign countries and then only to the extent provided for in the treaties.

Although Austria has lately been obliged to increase the protection of her industries, she is aware that no progress towards truly satisfactory conditions can be achieved without freedom in international relations and transactions and that the development of this freedom, particularly in all that concerns trade, is of vital interest to her entire economic system. Austria realises that her own development and the maintenance of peaceful economic relations throughout the world are dependent upon the removal to the greatest possible extent of all obstacles to international trade.

FINLAND.

*Statement submitted by J. K. PAASIKIVI, V. A. LAVONIUS,
I. W. KETO and Henrik RAMSAY, Finnish Members of the Conference.*

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In order to illustrate Finland's position in the present economy of the world and to explain the conditions of her participation in international trade, we shall first give a summary of the different industries of the country.

Agriculture is the principal industry in Finland and occupies 65 per cent of the population, which amounts to 3.5 millions. The frequent occurrence of small farmsteads is a special characteristic of Finnish agriculture ; 94.1 per cent of all the holdings have a cultivated acreage below 25 hectares, and these holdings cultivate 64.4 per cent of the total area of the country. The character of the products of agriculture is influenced by the northern climate ; of the cultivated ground, 46.8 per cent is used for hay, 20.4 per cent for oats and 11.1 per cent for rye, the rest being divided among barley, potatoes, beets, wheat, etc. The tendency is chiefly towards cattle-breeding, the results of which appear as milk, butter and cheese, partly for home use and partly for exportation. The production of grain, on the other hand, is not nearly sufficient for home consumption, Finland being compelled to import about 50 per cent of her supply of cereals.

The forests represent the principal natural resources of Finland. Of the total area of the country, 388,483 square kilometers, 73.4 per cent is covered with forests consisting of pine (61 per cent), fir (28 per cent), and hardwood, chiefly birch (11 per cent). The great masses of pine and fir wood are turned into sawn goods, chemical and mechanical wood-pulp and paper, while birchwood is used for veneer and bobbins, and aspen for the manufacture of matches. The exploitation of timber occupies 45.2 per cent of the industrial workers of the country, besides which the procuring of wood during the winter months gives employment to a considerable number of people belonging, chiefly, to the farm labourer and small farmer classes.

The water-falls constitute another remarkable natural resource. The whole water-power within the boundaries of Finland is estimated at more than 2 million H.P. ; of these somewhat more than 400,000 H.P. have thus far been made use of, partly for the manufacture of wood-pulp and paper, partly for the production of electricity to supply the need of power and light.

The supply of water-power supports, to a considerable degree, the exploitation of timber in the wood-pulp factories and paper-mills. Yet the natural conditions are also in some other respects very favourable for using the rich and valuable forests of the country. The snowy winters facilitate the transportation of the timber to the water-courses along which the trunks are, in summer, floated down to the

industrial districts. Thus the conveyance of the raw material is carried on with but little expenditure.

These are the only natural resources of any great importance. Of useful minerals there is a quantity of limestone, which forms the basis of the manufacture of cement, and only one copper mine. No supplies of iron ore capable of being worked up under present conditions have been found as yet. As to raw material for the textile industries, home agriculture and sheep-farming produce flax and wool, the former in a quantity covering about 35 per cent and the latter about 20 per cent of the total need of these materials.

Finland is consequently destitute of raw materials of considerable importance, either wholly, as of iron, or partly, as of materials for spinning. There are, however, remarkable branches of industry which work up these and other imported materials, giving employment to 40 per cent of the industrial workers of the country. This refining of raw materials is partly based upon protective duties, partly upon the necessity of having tools, engines, textiles, etc., produced according to the special demands of the geographical and climatic conditions of the country. It must also be mentioned that a great many of these industries found, before 1918, a sale for their products on the Russian market.

This brief summary will, we hope, give an idea of the conditions of Finland's participation in international trade.

Finland imports grain and flour, salt, sugar, coffee, tobacco, fruits, etc., for home consumption ; materials for spinning — wool, cotton and flax to be worked up within the country — and also ready-made textiles for immediate use ; metals for refining, engines, parts of engines, tools, motors and motor-vehicles ; feeding-stuffs (oil-cake, etc.) and fertilisers for agriculture ; petroleum, some coal, and a great variety of other articles. Exports from Finland comprise timber, chiefly in the form of sawn wood, wood-pulp, paper or veneers, but also unmanufactured ; timber represents about 90 per cent of the total value of Finnish exports. The remaining 10 per cent consists of agricultural products, chiefly butter and cheese. The tables annexed give a survey of the division of imports and exports among the different groups of goods.

Before 1914, Russia occupied a prominent position in the foreign trade of Finland not only as a supplier of grain and flour, sugar, tobacco and other requisites, but also as a purchaser, ever increasing in importance, of the products of Finnish industry, such as paper and wood-pulp, textiles and iron manufactures. The capital of the Empire, situated not far from the boundary of Finland, consumed also products of Finnish agriculture, chiefly milk, and wood from the forests of Eastern Finland. In 1913, 28 per cent of Finnish imports came from Russia, an equally important part of the Finnish exports going to the Russian market, besides which a considerable item in the assets of Finland's balance of payments consisted of an income from the Russian summer colony in Eastern Finland and the Russian army. After 1918 the industry of independent Finland was faced with a difficult problem. It was necessary, in circumstances troublesome and unsettled even in other respects, to turn the trade of the country still more towards the West, and to look for new markets for sale as well as for purchase. This problem, however, has now been solved, and

new ground has been broken for the foreign trade of Finland. The balance of trade has, during certain years, even been a positive one, and the extent of the foreign trade has been greater than during the years preceding the war. A comparison of the years 1913 and 1926 shows, for instance, that the volume of imports for the last-mentioned year can be marked as 116 and the volume of exports as 127, the corresponding figures for 1913 being 100. The annexed table shows which countries appear as purchasers and sellers in Finland's foreign trade ; it will also be seen that the imports from Russia amounted, during last year, to only 1.5 per cent of the total imports of the country, the exports to Russia being 3.7 per cent of the total.

Owing to this new turn of the trade, it can be said that Finland — notwithstanding her long frontier on the east — occupies, at present, an insular position as far as her mercantile activities are concerned. More than 90 per cent of the foreign trade is carried on by sea. This means of transit has therefore grown to be of much greater importance than before, and it may be pointed out that Finnish navigation is carried on under extraordinary circumstances, the coasts of the country being, during six to eighteen weeks, completely blocked by ice. The difficulties caused by this fact can, however, be considered as overcome : the State flotilla of ice-breakers is steadily increasing, the reporting on the ice conditions is effectively organised, and special vessels have been procured for the regular traffic to and from Finland.

No problems of any great extent, caused by the present circumstances and peculiar to Finland, are likely to be found. It is but natural that the Finnish industries have difficulties to overcome, but these are well known ; they are due to decreased purchasing power, disturbances of the monetary standard in several countries, etc. By concluding, since 1921, commercial treaties with nearly every country in Europe, Finland has tried to facilitate conditions for her foreign trade.

The Finnish Customs tariff, at present of a provisional character, can — on comparison with the tariffs of many other countries — be said to be based upon a moderately protective system. While formerly nearly half of the imports were free of duty, the greater part has, since 1918, been made liable to duties ; it may be particularly mentioned that a duty has been imposed on grain, which was formerly imported free from Russia. The duty imposed upon raw materials and semi-manufactured goods is, however, comparatively low, nor has the effective protection of home industries increased much since the war. When fixing the annual provisional Customs tariff, the authorities had to consider the necessity of revising the rates of duty in order to meet the changed value of the Finnish mark, as well as the need of revenue for the State which in Finland is, to a considerable extent, got by indirect taxation, especially by Customs duties.

When concluding the above-mentioned treaties, Finland has, in general, conceded most-favoured-nation treatment to the other party, besides which Customs facilities have been granted in regard to luxuries upon which certain increases had been formerly imposed, the importation of such articles having been, during the years subsequent to 1918, considered undesirable.

The fact of Finland having introduced a total prohibition on the production and importation of spirituous liquors containing more than 2 per cent alcohol has not prevented good commercial relations being established between Finland and the

wine-producing countries, and it is greatly appreciated in Finland that France, Italy and Spain have realised with sympathy that this prohibition of import — the only one of any importance made by Finland — is dictated solely by social and hygienic reasons.

That the Finnish export trade has not met with any marked difficulties is probably due to the fact that her active contribution to international trade, which is based upon the natural conditions of the country, consists of the exportation of goods such as timber, paper, cellulose, mechanical wood-pulp, cheese and butter, which are always, even during a temporary depression, likely to be disposed of on the world's markets. It has already been pointed out that the natural conditions are also eminently favourable to the wood-manufacturing industry. This being so, it has attracted some attention that Finnish raw material, such as pulp-wood, is exported unprepared ; the fact that it is — and, unfortunately, to an extent increasing every year — seems to be due to such Customs systems as hamper the sale of Finnish wood, etc., manufactured under circumstances perfectly natural, and favour an unnatural and expensive transportation of the bulky raw material. It is therefore easy to understand why proposals have been made for increasing the export duty in order to prevent this exportation of the raw material ; yet it is to be hoped that such means will not be resorted to but that a solution of the difficulty will be arrived at in some other way.

The Finnish currency, which was definitely stabilised in February 1924, is, since January 1st, 1926, based on gold, the value of 100 Finnish marks being fixed at \$2.5185. The stabilisation of the currency and the final transition to the gold standard have naturally contributed to a sound development of the industries of the country. It must, however, be pointed out that Finland, in common with other countries rapidly developing, does not command the capital demanded by a rightful expansion of the productive activity and the means of communications in such an extensive country. A greater facility in the contracting of foreign loans and a simplification of the free international system of credit is therefore of eminent importance to Finland, as it is to all young States ready to participate in international trade within the limits permitted by their natural resources.

In view of the above, we may briefly state that Finland's foreign trade has already overcome the difficulties caused by the new turn it was compelled to take in consequence of the changes in the political and economic conditions of the country, and that difficulties peculiar to Finland and of any considerable extent do not exist.

Valeurs des importations et exportations de la FINLANDE par CLASSES DE MARCHANDISES.
Value of Imports and Exports of FINLAND, BY GROUPS.

Nos	Classes de marchandises	Importations (Valeur en milliers de marks) Imports (Value in Fmk., 000's omitted)			Exportations (Valeur en milliers de marks) Exports (Value in Fmk., 000's omitted)			No.	Groups
		1926	1925	1924	1926	1925	1924		
1.	Animaux vivants. . .	1.274	1.569	2.422	4.961	10.413	4.571	1. Live animals.	
2.	Denrées alimentaires d'origine animale . . .	139.268	109.986	123.561	530.563	614.339	385.701	2. Foodstuffs of animal origin.	
3.	Céréales et leurs dé- rivés	706.551	964.807	801.812	1.446	1.922	2.503	3. Cereals and products of the milling indus- try.	
4.	Fourrages et graines	323.938	248.586	155.325	5.603	6.341	4.001	4. Forage and seeds.	
5.	Fruits, plantes pota- gères, plantes vivan- tes, etc.	138.687	107.539	105.265	17.498	20.048	20.711	5. Fruits, vegetables, live plants.	
6.	Denrées coloniales et épices	479.750	881.782	684.990	4.166	4.693	5.149	6. Colonial goods and spices.	
7.	Conserves	3.387	2.709	2.332	989	1.491	2.964	7. Preserves in air-tight receptacles.	
8.	Boissons.	19.808	7.441	6.763	1	2	1	8. Beverages.	
9.	Matières propres au filage	298.974	312.544	297.873	1.392	2.135	608	9. Textile materials.	
10.	Fils et cordes	151.785	107.574	85.190	1.022	12.674	5.032	10. Yarns and cordage.	
11.	Tissus	360.071	302.562	290.780	10.439	26.737	9.863	11. Tissues.	
12.	Produits divers de l'industrie textile . . .	206.744	170.155	174.465	874	1.017	347	12. Various products of textile industry.	
13.	Bois et ouvrages en bois.	33.040	19.615	19.764	3.153.213	3.011.961	2.839.185	13. Wood, and manufac- tures of.	
14.	Ecorces, roseaux, branches, etc.	22.341	26.606	18.242	5.790	4.793	4.271	14. Bark, reeds, cane, etc.	
15.	Pâte à papier, carton, papier et leurs appli- cations	18.254	14.397	14.119	1.628.728	1.536.851	1.353.820	15. Paper pulp, card- board, paper and manufactures thereof.	
16.	Crins, soies, plumes, os, cornes, etc. et leurs productions. . .	19.895	16.196	17.057	2.713	3.132	1.823	16. Bristles, feathers, horsehair, bone, horn and manufactures.	
17.	Peaux, cuirs, pelle- teries, etc.	219.508	251.836	168.461	115.458	148.715	136.620	17. Hides, skins, leather goods, etc.	
18.	Métaux et ouvrages en métal	614.686	473.313	515.201	15.482	13.929	7.537	18. Metals and manufac- tures thereof.	
19.	Machines et outils. . .	385.368	265.167	261.546	17.540	28.264	12.196	19. Machines and appa- ratus.	
20.	Moyens de transport	287.665	232.901	133.186	2.618	5.011	5.732	20. Vehicles and vessels.	
21.	Instruments de pré- cision et horlogerie . .	54.691	39.151	37.508	44	38	21	21. Instruments, watches and clocks.	
22.	Minéraux et produits dérivés	273.673	208.025	227.646	24.051	25.640	11.224	22. Minerals and manu- factures thereof.	
23.	Asphalte, goudron, résines, caoutchouc, etc., et leurs produits	144.889	110.780	77.727	17.856	15.531	12.642	23. Asphalt, tar, resins, rubber, etc.	
24.	Huile, matières gras- ses, cire et leurs pro- duits	309.052	298.686	228.647	1.153	1.688	908	24. Oils, fats, wax and manufactures thereof.	
25.	Ethers, espèces d'al- cool non spécif., hui- les volatiles, parfum- eries, etc.	8.950	6.534	6.891	1.401	3.019	1.868	25. Ethers, alcohols not specially mentioned, volatile oils, cosme- tics, etc.	
26.	Couleurs et matières colorantes	54.779	45.683	41.543	154	109	123	26. Colours, dye-stuffs, etc.	
27.	Matières explosibles et inflammables, ar- mes à feu, munitions et pièces d'artifice . .	7.002	6.870	8.797	37.246	34.269	44.955	27. Explosives, ammuni- tion, fire-arms and fireworks.	
28.	Produits chimiques et drogues	141.971	123.540	113.762	4.980	7.978	4.076	28. Chemicals and drugs.	
29.	Engrais	132.199	84.389	48.693	—	—	—	29. Manures.	
30.	Ouvrages d'imprime- rie et d'art; articles pour l'enseignement et le bureau	46.761	38.492	31.756	4.916	4.585	3.897	30. Printed matter, ob- jects of art, educa- tional and office sup- plies.	
31.	Articles n'entrant dans aucun des grou- pes ci-dessus	62.747	40.079	14.143	3.531	4.836	2.592	31. Articles not men- tioned elsewhere.	
	Total	5.667.708	5.519.514	4.715.467	5.615.826	5.552.211	4.884.941	Total.	
	Réexportations. . . .				20.723	21.295	85.662	Re-exports.	
	Total	5.667.708	5.519.514	4.715.467	5.636.549	5.573.506	4.970.603	Total.	

REMARQUE. — Pour les marchandises d'importation, c'est la valeur c.i.f. qui est désignée; pour celles d'exportation, la valeur f.o.b.
NOTE. — Imports are valued c.i.f.; exports are valued f.o.b.

Valeur des importations et exportations de la FINLANDE, en milliers de marks,
PAR PAYS, pour les années 1924-26.

Value of Imports and Exports of FINLAND, in thousand Fmk., BY COUNTRY,
for the Years 1924-26.

PAYS	Importations Imports			Exportations Exports			COUNTRIES
	1926	1925	1924	1926	1925	1924	
Russie . . .	107.602	74.437	221.020	219.815	430.393	220.493	Russia.
Estonie . . .	37.527	39.832	58.206	31.475	29.642	17.337	Estonia.
Lettonie . . .	16.177	17.491	12.686	17.808	34.432	14.293	Latvia.
Pologne . . .	86.510	49.102	49.328	1.621	3.743	1.935	Poland.
Suède . . .	417.518	358.176	293.629	218.636	237.409	248.302	Sweden.
Norvège . . .	55.004	47.308	37.115	28.322	21.668	22.914	Norway.
Danemark . .	310.903	345.535	319.516	141.929	177.869	194.047	Denmark.
Allemagne . .	1.975.169	1.759.943	1.410.942	715.163	747.022	453.896	Germany.
Pays-Bas . . .	327.000	306.501	224.519	579.655	513.505	464.064	Netherlands.
Belgique . . .	175.123	149.986	135.982	298.899	364.319	316.275	Belgium.
Gr. Bretagne et Irlande . . .	726.748	936.943	884.319	2.162.189	2.061.976	2.000.700	Gt. Britain and Ireland.
France . . .	200.123	167.278	114.227	404.222	275.621	402.727	Franco.
Italie . . .	39.440	30.206	17.621	28.209	26.062	7.177	Italy.
Suisse . . .	32.777	28.660	30.021	195	1.484	494	Switzerland.
Espagne . . .	33.902	17.173	13.241	68.734	12.372	17.179	Spain.
Japon . . .	397	334	113	14.897	6.238	14.645	Japan.
Egypte . . .	56	122	105	84.055	85.908	69.174	Egypt.
Etats-Unis . .	801.226	811.580	629.086	365.138	295.647	300.783	United States.
Brésil . . .	105.631	165.917	103.583	33.971	46.395	39.734	Brazil.
Argentine . . .	37.956	28.453	22.644	51.398	55.018	37.330	Argentine.
Autres pays . .	180.919	184.537	137.564	170.218	146.783	127.104	Other countries.
TOTAL . . .	5.667.708	5.519.514	4.715.467	5.636.549	5.573.506	4.970.603	TOTAL,

GREAT BRITAIN.

Statement submitted by the British Members of the Conference.

GREAT BRITAIN.

Statement submitted by the British Members of the Conference.

1. The Chairman of the Economic Conference has invited the members to supply concise summary statements not aiming at a description of the national situation but indicating briefly how the national economy of their respective countries at the present time is related to the world economic situation. The following is an attempt on the part of the delegates from Great Britain and Northern Ireland to comply with the Chairman's invitation.

2. The national economy of Great Britain¹ does not aim at self-sufficiency. Any such ideal has been abandoned for more than a century, and ever since the prosperity of Great Britain has been intimately bound up with the progress of the world's international commerce, which is estimated to have increased in volume fourfold in the forty years prior to the outbreak of the war.

It is therefore not surprising that, in spite of the comparative abundance of capital and the relative stability in our monetary system, this country has suffered severely from the check to international commerce that has been caused by the war and its aftermath.

At the present time Great Britain is more dependent than any other great commercial country on its export trade to enable it to supply the needs of its economic life. Just before the war, no less than 30 per cent of the total industrial production of Great Britain was exported, and, though the proportion is now somewhat lower, it is probably not less than a quarter.

From the standpoint of Great Britain, a recovery of British exports is essential. Such a recovery is dependent, however, upon the prosperity of the world generally. It is therefore to the interest of Great Britain to further the economic recovery of the world so far as lies in her power.

3. On the other hand, the recovery of British exports is also a necessary condition for world prosperity. In 1925, Great Britain imported one-fifth of the total exports of all other countries — a far larger proportion than any other single country. When Britain is buying freely, favourable repercussions are felt in every continent — our supplies being drawn in about equal proportions from Europe, from the British Empire, and from other extra-European countries. Our purchases are likely to increase with the absorption of our unemployed and with a renewed advance in the standard of living in Britain. But this is unlikely to happen for a long time to come unless we can achieve full employment in our staple industries, which in its turn means that our

¹ Here and afterwards in this statement the expression "Great Britain" is used to refer to Great Britain and Northern Ireland.

exports must expand. We can only continue to buy on the same scale if we have the opportunity of selling freely.

Moreover, the lending as well as the buying power of Great Britain is similarly dependent upon the recovery of her exports.

4. The above statement sums up in a few lines the economic relation of Great Britain to the world generally. It may be of interest, however, to consider in a little more detail how the general economic situation of this country has changed since the period immediately preceding the war.

GREAT BRITAIN AND INTERNATIONAL TRADE.

British Exports and World Trade.

5. Just before the war, British exports formed 13 per cent of the total exports of the world. On an average of the years 1924 and 1925 (1926 is excluded as abnormal on account of the prolonged coal stoppage), the percentage was about 12½. But though the proportion of world trade which falls to our share has not materially declined, it must be remembered that the total volume of world trade has itself considerably fallen off, so that (measured by pre-war standards of value) our exports of goods are probably not more than 80 per cent of their amount before the war.

The slight fall in our proportion of trade is not in itself unexpected, for the development of the more distant parts of the world has meant that, for the last fifty years or so, Britain's proportion of world international commerce has been falling. We have, however, maintained our position rather better than Europe as a whole, the greater headway having been made chiefly by the countries of the New World and of the Far East.

As will be seen from the table annexed hereto, the proportion of our exports consisting of manufactured goods remains about three-quarters.

Direction of Trade.

6. As regards the direction of British exports, the situation may be analysed as follows : comparing the quinquennium before the war with the two years 1924 and 1925, the proportion of our exports sold to the countries of the British Empire rose from 35.4 per cent to 38.5 per cent. The sales of Great Britain to the countries of the British Empire were, however, a smaller proportion of the total purchases of those countries than before the war.

Foreign countries in Europe, which took 34.6 per cent of our exports before the war, took only 32 per cent in 1924-25. But the proportion of total imports of European countries which came from Great Britain remained about the same as before the war. If our exports to Europe are unsatisfactory, it is not so much due to our being ousted by the goods of competing nations as to a lack of buying power in Europe or to the endeavour of European countries to supply their own requirements with the aid of protective measures.

Finally, the rest of the world, which before the war took 30 per cent of our exports, took 29.5 per cent in 1924-25.

Trade Balance.

7. But while the volume of our exports of merchandise has fallen when account is taken of the change in prices, our imports have recovered to more than the pre-war volume. In money value imports have nearly doubled, while exports have barely increased by one-half. The result has been a very great increase in the (so-called) adverse balance of trade, which, as the following figures show, has risen from £134 millions in 1913 to £394 millions in 1925.

	(Million £)		
	Imports	Exports includ- ing re-exports	Adverse Balance
1913	769	635	134
1923	1,096	886	210
1924	1,277	941	336
1925	1,321	927	394

The balance for 1926 is even larger, but a comparison based on that year is vitiated by the seven months' coal dispute.

This enormous balance is still covered by "invisible" items in our international trading account, which for 1925 were roughly estimated by the Board of Trade at £449 millions against £339 millions in 1913 (chief items, shipping earnings: £124 millions against £94 millions; interest on oversea investments, £250 millions against £210 millions). But, whereas the 1913 figure yielded a surplus¹ of £180 millions available for investment overseas in excess of investments by foreigners in Great Britain, the corresponding surplus for 1925 was only a little more than £50 millions, and in the abnormal year 1926 the surplus altogether disappeared.

Export of Capital.

8. The above figures make it quite clear that the large issues of capital every year for foreign and colonial borrowers on the London market have recently not been made entirely out of our own resources, but have been rendered possible through the influx in various forms of capital from abroad. This movement cannot be expected to continue indefinitely, and though, in the abnormal circumstances of the past two or three years, we have maintained a high level of imports in spite of reduced exports, it is certain that, unless we can sell our products more freely abroad, we cannot continue to buy from abroad on the present scale, nor can foreign borrowers expect the same facilities from the London capital market.

Export Prices.

9. It is, of course, very relevant to enquire whether Britain is selling goods at prices which can compete in world markets. Official calculations show that, in 1925, the level of the import price index number was 53 per cent above the level of

¹ After allowing for the movement of bullion and specie and the unrecorded value of imported diamonds.

1913. The export price index number, on the other hand, was 85 per cent above the 1913 level. A greater rise in average export than in average import values is common, however, to the post-war statistics of a great many countries, part of the explanation being that, whereas export values are values in the producing country, imports include freight — a service which of late years has been sold at extremely low prices and in many cases at actually less than the pre-war level. In respect of shipping, at all events, British labour and capital have been at the world's service on very favourable terms. Further, there is ground for the belief that we are exporting in a greater proportion than before the war the higher and more expensive kinds and quantities of goods.

Nor have all prices risen to a similar extent. The price of raw cotton, for example, by 1925 had doubled since before the war and this commodity (in the form of cotton goods) forms a very large item in our export trade. The increased value of the raw cotton, on the other hand, constitutes only a smaller proportion of our much larger imports.

While it may be proper to attribute some weight to the difficulty in reducing labour and other costs in a country which has raised the value of its money and lowered prices generally, the main explanation of the decline of our export trade is to be sought for in general causes rather than in circumstances peculiar to Great Britain.

Export Trades and Unemployment.

10. The effect of the shrinkage of world trade following the war has been felt with special acuteness in Great Britain not because the proportionate reduction of exports has been above the average but because production for export plays such an exceptionally important part in the national economy. Hence the decline in exports has been largely responsible for the prolonged and abnormal unemployment of the post-war period, the rate of which (even apart from the temporary effects of the coal stoppage) is considerably more than double that which prevailed before the war.

Its effects are very clearly seen in the figures of unemployment for five large industrial groups, viz., coal, iron and steel, cotton, wool, and engineering including shipbuilding. Unemployment in these trades is dominated by the export situation. These five industries between them accounted for more than half the numbers unemployed in the month preceding the temporary coal subsidy (July 1925). Out of 3,700,000 insured workpeople in these trades, 705,000 were unemployed (*i.e.*, 19 per cent), as compared with slightly under 700,000 unemployed out of 7,800,000 insured workpeople in all other occupations (*i.e.*, 9 per cent). Most of these industries are affected by special influences such as the effect of fuel economy, oil and water-power on the demand for coal, the rise of the textile industries of Far-Eastern countries, the influence of the lack of capital on the world's demand for the products of the iron and steel industry and the excessive production of ships as the result of the war. The situation cannot, however, be entirely explained by such considerations. Indeed, though these trades from their size are largely responsible for our excessive unemployment, other miscellaneous export trades are in greater or less degree similarly depressed.

In 1910-13 these five groups accounted for 56 ½ per cent of our total exports. In 1924-25 they still accounted for 55 ½ per cent. It is therefore clear that the exports of other trades had suffered almost as greatly as our major exports.

Effect on General Conditions.

11. The restriction in the volume of our export trades has not been accompanied by a corresponding restriction of the general economic activity of the country as a whole ; but, taken in conjunction with internal difficulties, some of them peculiar to Great Britain, some of them shared with other nations, it is responsible for a checking of the rate of our material progress which is in striking contrast to the rapid headway we were making before the war. The general internal situation is briefly summarised in the following paragraphs.

GENERAL INTERNAL CONDITIONS.

Population.

12. The population of this country increased from 40.8 millions in 1911 to 42.8 millions in 1921. Of this increased population, a somewhat smaller proportion than before the war is within working ages, but between 1913 and 1925 the numbers " occupied " (whether in actual employment at the moment or not) rose from 18.7 millions to 20.3 millions, an increase of over 8 per cent.

National Production.

13. So far as can be judged from statistics, the total volume of industrial production in Great Britain is roughly the same as before the war, but meanwhile the population has largely increased. Production per head of those actually employed (though not of the total population) has been maintained roughly at its pre-war level, any falling-off owing to the 10-per-cent reduction of hours being on the whole (though by no means in every trade) compensated by improved methods and efficiency¹.

The progress in British industry is often overlooked owing to the fact that the very scanty statistics of production which are continuously available in Great Britain almost all relate to depressed industries. The fact is that in almost all industries, including some of those which are most depressed, there has been a very extensive re-equipment of plant and modernisation of methods.

As indicated in paragraph 10 above, the statistics make it perfectly clear that a deficiency of exports is the main cause of unemployment.

Recent Changes in Employment and Production.

14. In 1925 there was a general setback in the summer and increased unemployment, but even during that year many industries made continuous progress, and at the end of the year, apart from the coal industry, the numbers at work were probably

¹ This does not apply to the exceptional year 1926, in which industrial production was seriously reduced by the coal stoppage (see paragraph 14).

equal to those employed at the beginning of the year. During the spring of 1926 there was a considerable reabsorption of the unemployed and the indications all pointed to the probability that production would at last rise well over the level of 1913. The recovery was undoubtedly assisted to some extent by the subsidy to the coal industry, but the improvement was greater and more general than could be accounted for by this cause.

The improvement was, however, completely stopped by the coal dispute, which is estimated to have reduced industrial production during its seven months' duration by at least 15 per cent.

The process of recovery has now been resumed and, at the moment of writing, it would appear that, apart from the coal industry, which has not yet reabsorbed its full complement of workers, the numbers unemployed have been reduced to about the same figure as at this time last year.

Standard of Living.

15. There seems little doubt that, as compared with the pre-war situation, the standard of living of the masses of the people during the years since the war has been maintained — possibly it has improved. This opinion is founded on statistics of the consumption of common commodities, on wage statistics and on general observation. The view is endorsed by the surveys issued by the Committee on Industry and Trade (the “ Balfour Committee ”) and by the report of the Committee on National Debt and Taxation (the “ Colwyn Committee ”). Indeed, the two facts that the wages of unskilled workers have risen more than those of skilled workers and that families are smaller than before the war mean that there is actually less acute poverty.

Saving.

16. It follows that, with a larger population whose standard of consumption has been maintained, the volume of goods and services directly consumed has increased; but, as the total productivity of the country is practically stationary, there must have been a smaller margin for savings. The savings of the country in 1924 have been estimated at figures varying from £400 to £500 millions, as compared with £380-£400 millions in 1913. In other words, the proportion of the total income of the country which is set aside has fallen from 16 per cent before the war to about 12 per cent in recent years. Allowing for the rise in the general level of prices, the equivalent of our pre-war savings would be about £600-£650 millions instead of something less than £500 millions. The deficiency in savings has chiefly affected our export of capital, which has been greatly reduced.

The Burden of Unemployment.

17. This general survey has certain satisfactory features. It shows a marked recovery from the severe slump which followed the post-war boom of 1920, when the productivity dropped to a level which is variously estimated at between 70 and 80 per cent of the pre-war production, and the numbers of the unemployed rose to over 2 millions in the winter of 1921-22. The recovery has, however, for various reasons

been much slower since 1924, and we are still left with a volume of unemployment which is considerably more than double the numbers normally out of work before the war. For more than six years the numbers unemployed have never dropped, except for two or three weeks, below a million. This has constituted an economic problem comparable in gravity to that of dealing with the devastated areas of France or the complete collapse of the currency in Germany, and apparently as difficult to solve. Its financial consequences are serious ; the loss of acquired skill by adult workers and the failure to train sufficient numbers of the rising generation are among the economic consequences, while serious social evils must inevitably follow from the involuntary idleness of large numbers of active adult workpeople.

CONCLUSION.

Causes of Stagnation.

18. Though various causes peculiar to Great Britain have played their part in causing the comparative economic stagnation, *e.g.*, industrial friction leading in certain cases to prolonged and embittered disputes, heavy taxation, and the transitory difficulties inherent in the return to a gold standard, there can be no doubt that the major cause of the lack of elasticity in production is attributable to world conditions, including reduced purchasing power, fluctuating exchanges, growth of new local industries and artificial obstructions to trade.

Unstable Currencies.

19. Some of the conditions of world economy which contributed to the deep depression of British industry and commerce that followed the post-war boom of 1919-20 have since been removed or mitigated. For example, the outstanding difficulty of the post-war period has been the instability of currencies and exchange. The restoration of a stable monetary basis for international trade was necessarily the first objective of British economic policy, and, on the whole, exchange difficulties are now a much less formidable obstacle to international trade than a few years ago.

Trade Barriers.

20. But, as monetary fluctuations have subsided, the influence of other obstacles to commerce has become more apparent. Many temporary forms of obstruction have been introduced since the war, such as prohibitions or licences, and, although these have been to a considerable extent removed, they remain a serious impediment. Moreover, international trade still has to face the obstruction of numerous and often high tariffs. This is true equally of foreign and of British Empire markets. With very few exceptions, tariffs both in Europe and elsewhere are higher, and in some cases very substantially higher, than before the war. The documentation on this subject generally shows also that these tariffs are becoming increasingly complex and that they are frequently changed, often without reasonable notice, and that the process of reaching something like normal stability by means of commercial treaties has made little headway. Tariffs clearly constitute a serious obstacle to the restoration of a normal volume of foreign trade.

Meanwhile, the British market for imported goods not only remains much the largest in the world but is still practically a free market. It is true that, since the war, certain new Customs duties have been imposed, *e.g.*, to protect “key industries”, or to counteract abnormal conditions of competition resulting from unstable exchange or unfavourable conditions, or for other purposes. But the whole of the goods liable to these new duties only amount to 2 or 3 per cent of British imports, and the fact remains that the overwhelming mass of imported goods at present enter British ports either free of duty or subject only to a revenue duty of a non-protective character. The only substantial prohibition concerns dyestuffs, which are regarded as a “key” industry of vital national importance.

The World and British Prosperity.

21. In so far as the recovery of British export trade depends on increased industrial efficiency and reduction of costs, it is, of course, a question of purely national concern. But, in so far as it depends on the removal of artificial trade barriers, it is a matter of international interest, since nothing but the restoration of our export trade can enable us to continue to afford to the rest of the world an expanding market for their products.

March 1927.

Annex.

PERCENTAGE OF MANUFACTURED EXPORTS TO TOTAL EXPORTS.

The table showing the percentage of the imports and exports of various countries which consists of manufactured articles, printed on pages 156-157 of Volume I of the League of Nations *Memorandum on Balance of Payments and Foreign Trade Balances, 1911-1925*, does not include any figures for Great Britain and Northern Ireland. It may therefore be of interest to give below the percentages of the exports of this country and the other three principal exporting countries which in 1913, 1924 and 1925 consisted of manufactures. In making this calculation, the British Board of Trade has taken “manufactures” in the sense of the Brussels Convention classification and has excluded crude metals and refined mineral oils. The figures for countries other than Great Britain agree generally but not precisely with those given in the League of Nations statement above referred to.

	Percentage of Manufactured Exports to Total Exports.		
	1913	1924	1925
United Kingdom	75.8	73.9	76.2
United States of America	31.5	32.5	35.7
Germany	66.6	79.8	75.3
France	60.8	59.9	59.3
Total of above	<u>58.5</u>	<u>53.2</u>	<u>58.0</u>
All countries	35.1	35.7	35.4

The figures for the United Kingdom in 1924 and 1925 relate to the trade of Great Britain and Northern Ireland. The figure for the United Kingdom in 1913 would probably be reduced to about 75.0 if limited to the trade of Great Britain and Northern Ireland.

LUXEMBURG.

*Statement submitted by M. Emile MAYRISCH,
Luxemburg Member of the Conference.*

LUXEMBURG.

Statement submitted by M. Emile MAYRISCH, Luxembourg Member of the Conference.

Some extremely difficult problems were presented by the new economic situation of the Grand-Duchy of Luxembourg. Cut off from the German market, of which for three-quarters of a century it had formed a part, it witnessed a profound change come over its whole system of exchanges ; from now onwards its economic life will be dependent on the Belgo-Luxemburg Union, which determines the flow of its external trade.

For the time being, both the German and the French markets are inaccessible, protected as they are by exorbitant tariffs.

The economic system of the Grand-Duchy is now identical with that of Belgium, but the increased home market does not offer any margin for commercial interpenetration. The present situation implies rather a system of combined efforts.

Luxemburg's industrial activity, which is mainly centred in the metal industry, with a production of 2,600,000 tons of pig iron and 2,300,000 tons of steel, may to-day be summed up as follows : Having no internal market of any consequence, and being gradually ousted from most Continental markets by a system of protection carried to extremes, Luxemburg industry has to seek an outlet in distant markets. Its first concern must be firmly to establish itself in these new markets and to reduce its cost prices in order to be able to meet competition from other countries more favourably situated. Great difficulty is being experienced in meeting this competition, because the Luxemburg industry cannot apply to the Government for any assistance in the shape of credit, as is the case in neighbouring countries ; nor is it supported by large banks which, in other countries, make the granting of loans dependent upon orders for the national industry.

Since the stabilisation of the Belgian franc, internal prices are tending, with inexorable logic, towards world prices, though at present there is still a considerable difference. The levelling-up of prices will enable Luxemburg's real place in the economic system of the world to be determined.

THE NETHERLANDS.

Statement submitted by M. COLIJN, Dutch Member of the Conference.

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The economic difficulties to which the World War has given rise in the Netherlands may be divided into three categories.

I. During the war, the Government was obliged to take special military and other measures of an exceptional nature involving heavy financial burdens which could only be borne with the aid of national loans.

II. After the war, impoverished Europe could not absorb to the same degree as formerly the products of the soil and industry of the Netherlands or the goods handled by the trade and shipping of that country. Moreover, several countries had secured the place in the international market formerly occupied by the Netherlands.

III. After the war, a number of States introduced Customs tariffs (usually very high), increased existing tariffs and established import and export prohibitions, with the object of protecting their national products against international competition. This policy was more particularly adopted by the States which were created by the Treaty of Versailles.

Ad I. As regards the first point, it should be observed that the taxes imposed for payment of interest on and amortisation of the special loans constitute a heavy burden on the population, and are very prejudicial to the industrial life of the country.

Ad II. On this point it should be noted that the depreciation of the currencies of a number of countries has severely hampered the export trade of the Netherlands, and has allowed foreign goods to compete in the home market, often with serious consequences to the national industry.

Ad III. It may be said that, apart from certain fluctuations, the most acute phase of the crisis due to the exceptional competition caused by the fall in the exchanges has now been surmounted.

The industrial life of the Netherlands would therefore have been able gradually to resume its normal course if, as observed in point III, a number of countries had not in recent years raised very high tariff walls, and in some cases increased those already existing, while imports into those countries have been checked by different measures such as import prohibitions and restrictions, certificates of origin, sanitary measures (a disguised form of protection), etc. No such restrictions exist in the Netherlands, and the Customs tariff, which, generally speaking, does not exceed 8 per cent, does not constitute any obstacle to the importation of goods.

Although there is a movement in the country in favour of the abandonment of free trade, or the adoption of certain measures with a view to exercising pressure in the field of trade policy, the Government has hitherto adhered to the traditional policy of free trade.

From the Netherlands point of view, the principal measures necessary to restore normal economic conditions are the following :

1. The currency of every country should be stabilised.
 2. Customs tariffs should be confined to purely fiscal purposes, or at most should afford very slight protection for national products.
 3. Measures which hamper trade, such as those mentioned above, should be repealed, and sanitary measures should be strictly limited to the health purposes for which they were intended.
 4. Care should be taken to avoid applying measures of social legislation in such an inequitable manner as to hamper production in certain countries.
 5. As far as possible, equal conditions should be established by the conclusion of treaties of commerce based on the loyal application of the principle of most-favoured-nation treatment ; and this treatment should not be rendered inoperative by methods of excessive specification. For this purpose the introduction of compulsory arbitration, such as is already provided for in a number of treaties, is essential.
 6. Care should be taken to avoid driving trade from its normal course for the special benefit of certain individual places by the application of preferential tariffs on means of communication (*e.g.*, preferential railway tariffs for certain ports).
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SWEDEN.

Statement submitted by the Swedish Members of the Conference.

SWEDEN.

Statement submitted by the Swedish Members of the Conference.

Although Sweden took no active part in the Great War, her economic situation was, of course, very largely affected by it. The level of prices rose considerably; the index of wholesale prices published in the financial review *Svensk Finanstidning*, based on the period from July 1st, 1913, to June 30th, 1914, showed an average figure of 339 for 1918. The note circulation increased from 235 million crowns on December 31st, 1913, to 814 million crowns at the end of 1918. This increase was possible owing to the fact that, very soon after hostilities had broken out, the Bank of Sweden was relieved of the obligation of redeeming these notes in gold.

Another factor of great importance was the interruption in foreign relations caused by the war. This was particularly felt in connection with food supplies, which were consequently subjected by the State to a system of rationing, as were also other kinds of supplies. The country experienced the greatest difficulty in procuring sufficient quantities of fuel, and several industries, in particular the textile industry, were obliged to restrict their production for lack of raw material.

On the other hand, some industries, such as the metal industry, which had local raw materials at their disposal, and manufactured products of primary importance to the belligerents, enjoyed a period of extraordinary prosperity. The same thing applied to shipping companies, which made substantial profits.

Another characteristic feature of the war and inflation periods was the unheard-of proportions reached by speculation, as shown by the turnover on the Stockholm Stock Exchange. The daily figure of 613,000 crowns in 1913 had increased by 1918 to 5,726,000 crowns. As was to be expected, inflation had a great influence on private fortunes and incomes. Many new fortunes were built up, whilst large classes of bondholders and of small investors, as well as the salaried classes, found their incomes very much diminished.

The cessation of hostilities put a sudden end to this situation. Rationing was abolished and foreign products began once more to flow into the country. The years 1914 to 1918 had invariably shown an excess of exports, running into very considerable figures. After the end of the war, however, there was an even greater excess of imports over exports. The following table shows the total foreign trade during the years 1914 to 1920 :

Year	Imports In millions of crowns	Exports	Excess of Imports (—) or of Exports (+)
1914	727	772	+ 45
1915	1,142	1,316	+ 174
1916	1,139	1,556	+ 417
1917	759	1,350	+ 591
1918	1,233	1,350	+ 117
1919	2,534	1,576	— 958
1920	3,314	2,278	— 1,036

From the year 1921 onwards there set in a period of rapid deflation, as shown by the rate of exchange and the index of prices. The Swedish crown, which, during the years 1916 to 1918, had risen at various times by as much as 20 per cent above par in relation to the dollar, but which had afterwards dropped considerably in 1919 and 1920, rose steadily from the month of January 1921 onwards and returned to par at the end of 1922 ; on April 1st, 1924 — before any other European country — Sweden definitely reintroduced the gold standard.

The index of wholesale prices fell at the same time from 366, the maximum figure which it had reached in June 1920, to 155 in December 1923 (figures given in the *Svensk Finanstidning*), that is to say, by nearly 60 per cent. Business houses suffered enormous losses in consequence, and there was a reduction and depreciation in the value of stocks and shares, which brought about the ruin of many shareholders and entailed tremendous losses for banks. Agriculture and numerous industries experienced a period of stagnation, and the number of unemployed was soon considerable, reaching its maximum in January 1922, on which date 163,000 unemployed were registered ; the statistics of the trade unions then gave the proportion of their members who were unemployed as more than 30 per cent. Thanks to energetic and far-seeing measures taken by the public authorities, the unemployment problem was, however, solved fairly quickly ; and from the end of 1923 the crisis to which it had given rise could be considered as having been to a large extent overcome.

Unlike many other countries during the years following the war, Sweden did not have recourse to artificial measures taken by the State with a view to protecting the economic life of the nation, such as increasing Customs tariffs, and other measures destined to regulate imports in the face of foreign competition. The only sphere in which it endeavoured, by means of a Customs policy, to alleviate conditions during the critical period of transition was agriculture, where a system of varying tariffs was applied to cereals from June 1st, 1920 to June 1st, 1922. This cautious attitude certainly contributed towards making the immediate results of the crisis worse, but, once this crisis had been passed — although it entailed heavy losses on industry, banks and private individuals — production enjoyed healthier conditions, and the country was more favourably situated to meet foreign competition than would probably have been the case if the authorities had adopted a different policy.

It may be said that, from January 1st, 1923, Sweden's economic life began to return to normal. From then onwards the general level of prices was maintained at a more or less constant figure, which was approximately 50 per cent above the pre-war level. For various reasons, in particular because of the high rents and heavy

taxes, the cost of living is, on the other hand, still more than 70 per cent above the pre-war figure. When the relatively high cost of living is taken into consideration, the increase in workmen's wages shown by statistics which — although there are considerable differences among the various branches of industry — on an average amounts to 110 per cent for industrial workers paid by the year, and 150 per cent for those paid by the hour, over and above the 1913 figure, does not represent the increase in actual income which one might be led to expect from the difference between the level of salaries and the level of prices. Nevertheless, a certain increase, amounting on an average to about 20 per cent, took place in the actual annual wages of workmen in industry, whereas no such increase took place in the case of agricultural labourers and labourers engaged in forestry.

Deflation had the additional effect of adversely influencing the financial situation of the State, because public expenditure, which had greatly increased during the inflation period, could not be reduced in proportion to the fall in the level of prices, while the revenue from taxation, both direct and indirect, was much reduced. In 1913 the final budget showed a total revenue (not including the yield from loans) of 247 million crowns, whereas the budget of 1925-26 showed a total of 702 million crowns. If this latter figure be reduced to the same comparative value as the first figure, we find that an increase of approximately 90 per cent took place during the period in question; this shows the extent to which the activities of the State have increased since the pre-war period. In spite of drastic reductions effected in the budget, such an increase was bound to bring in its train a considerable addition to the burden of taxation.

The public consolidated debt at the end of 1913 was 828 million crowns, and on December 31st, 1926, this had reached 1,721 millions. There is therefore a very considerable increase, even when the two figures are reduced to the same monetary basis of comparison. It is, however, entirely due to investment of capital in State railways and other public undertakings. The investment of the national debt has undergone an important change inasmuch as before the war 90 per cent of the total of this debt was invested abroad, whereas in 1926, owing to the redemption of old and the issue of new bonds in the home market, 80 per cent was held by Swedes.

The most marked feature of the Swedish capital market in recent years has been a glut of available capital, so that it was not possible to absorb the whole of it in the country and it had to be partially invested abroad. The only long-term loan of any importance issued by Sweden during the last few years was a loan of 30 million dollars issued in the United States in 1924. On the other hand, a certain amount of Swedish capital has been invested in foreign bonds and the proportion is increasing; in 1926 alone this figure reached 84 million crowns. At the same time, a considerable influx of foreign capital took place in the shape of the sale of Swedish shares abroad, but the total capital imported is a great deal less than the capital exported.

As a result, Sweden appears, at any rate at present, to be one of the capital-exporting countries. Issues of shares and national bonds during all this time have been practically negligible, and this fact may indicate that a certain stagnation has set in in Sweden's economic life; and this impression is confirmed by information regarding bank credit, which has not shown any tendency to expansion during the last

few years. The unfavourable conclusions drawn from the above statistics are confirmed by the figures relating to unemployment. After the crisis brought about by deflation, the number of unemployed in trades unions fell in 1924 to an average of 10.2 per cent. This figure increased in 1925 and 1926, the corresponding percentages being 11.0 and 12.2 per cent. It should be noted that the number of unemployed shows an increase, particularly in the ranks of the younger generation. No attention seems to have been paid to the figures quoted above regarding unemployment among young persons.

Sweden's principal export industries are the wood and paper industries and the metal industry. Their relative development is shown by the following figures, which are based on the year 1913, and which, by means of index figures, show the quantities of the most important products of these industries exported during the last three years.

	1913	1924	1925	1926
Sawn and planed timber.	100	84	91	85
Wood pulp	100	149	145	159
Paper	100	165	176	183
Iron ore	100	92	137	118
Iron and steel	100	55	53	51
Machinery, instruments, etc.	100	147	137	175

The above figures show that the wood pulp and paper industries in particular acquired an increasing importance, whereas (as a result of general over-production consequent upon the application of new methods of manufacture) the iron industry experienced a setback. New outlets were found by the Swedish machinery industry for certain special products, such as cream separators, ball bearings, internal-combustion engines, electric engines, telephone apparatus, etc. Another national industry which made great progress was the match industry. It is concentrated in the hands of a single company. This company is, however, finding abroad the greatest expansion of its business.

The foregoing shows that Sweden's economic life after the war has regained its stability in many respects, and in some directions has progressed and become more firmly established. In some branches of industry, among which the iron industry should be specially mentioned, there has been, on the other hand, a severe setback. In a general way it may be said that in certain branches of production economic depression still persists and is reflected in the very considerable number of unemployed. It is true that dumping — the consequence in various countries of the foreign exchange situation — which in the first few years after the war exercised a very adverse influence on Swedish industry, has now come to an end, at any rate as regards its more glaring forms; but the financial disorganisation prevailing in most foreign countries, for which no effective remedy has been found until quite recently, accounts very largely for the slow recovery of business and the delay in getting back to normal conditions.

The Swedish export trade is still very much hampered by the excessive protection in force throughout the greater part of the world, which no doubt is a prime obstacle to any real return to prosperity both in the matter of production and foreign trade.

In many countries Customs duties have been further increased during the last few years. In many cases such increases were in the nature of preparatory measures for opening negotiations with a view to the conclusion of commercial treaties. It often happened, however, that duties introduced to this end were maintained to a large extent after the conclusion of the negotiations, with the result that in the end, instead of Customs barriers being lowered, the protectionist system was intensified. Mention should also be made of cases where the policy of treaties was not loyally carried out, the advantages which the concessions granted might have had for third parties, under the most-favoured-nation clause, being curtailed by means of artificial and excessive specification.

Among the more flagrant abuses should be mentioned in particular the means adopted by the United States of America in order to maintain their policy of excessive protection, the application of which in international relations would formerly have been considered utterly impossible. The methods adopted by that country to obtain information regarding the cost of manufacture, etc., of the product of other countries have encountered strong opposition in Sweden, as elsewhere. This information was required to serve as a basis for calculating the value of foreign imports, in accordance with the American Customs regulations.

Many countries still show traces of the system for regulating imports which was set up in the years immediately after the war, and which either prohibited the import of certain classes of goods or made them dependent on a system of licences. Considerations based on a foreign exchange policy are often made a pretext which, even to-day, is sometimes put forward for their maintenance. It is obvious that Sweden's trade with Russia, which, before the war, was in a flourishing condition, is at present shackled by the State monopoly of foreign trade in that country.

The hope of greater facilities for commercial exchanges, which was awakened by the conclusion at Geneva in 1923 of the Convention regarding the Simplification of Customs Formalities, has only been partially realised, as several countries have not yet ratified the instrument in question.

In a statement regarding international conditions which constitute obstacles in the way of Sweden's trade expansion, mention must also be made of the question of export credits and bounties granted by a certain number of States, which act as a premium on exports and operate to the detriment of foreign competition.

Regarding the influence that Sweden's economic policy may have had during the last few years on the economic situation of the world in general, it may be said, in the first place, that the restraint shown by this country in its commercial policy may in a certain measure have been a factor making for moderation, as also the support given to all international measures tending to favour a policy of conciliation in this connection.

With regard to financial policy, the example set by Sweden, which was the only one among all the countries of Europe to return to the gold standard as from April 1st, 1924, may also have been of some value. By adopting this measure, Sweden initiated to some extent the work of stabilising the money market which, since then, has been undertaken in every country, and which largely provided a basis for the work of economic reconstruction carried out after the war.