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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.)*

CZECHOSLOVAKIA

INDIA

DENMARK

NEW ZEALAND

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 Mai 3rd, 1927, and transmitted by the members nominated by the Governments of Czechoslovakia, Denmark, India and New Zealand.

Statements from Austria, Finland, Great Britain, Luxemburg, the Netherlands and Sweden were published in the first series of the present booklet ; statements from Italie, Latvia, Norway and Portugal were published in the second series ; statements from Bulgaria, Estonia, Hungary and the Kingdom of the Serbs, Croats and Slovenes were published in the third series. Any statements which may be forwarded to the Secretariat after this date will published as soon as received.

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## **CZECHOSLOVAKIA**

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*Statement submitted by the Czechoslovak Members of the Conference.*

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1. The serious economic results of the world war were inevitably felt to a great extent in Czechoslovakia, and they have not yet been entirely overcome. To quote only one example, the level of industrial production has not yet reached pre-war figures. Certain industries which depend on exports were the hardest hit : in these industries there is constant unemployment, and this must inevitably affect the standard of living, which is below the pre-war level.

Czechoslovakia was obliged to adapt her national economic policy to the new state of affairs, and it was at a time when the political and economic situation was rather critical, when raw materials and foodstuffs were scarce and transport both at home and abroad was a difficult matter, when social unrest prevailed, and when the monetary and financial situation was far from stable, that she had to organise an administrative system and to maintain her industrial activity, though cut off from her former markets by high Customs tariffs, just when international trade was in a state of chaos.

2. From the start the Czechoslovak State devoted all its energies to co-ordinating its national economic system. Its efforts were at first mainly directed towards making the currency independent and stable. Czechoslovakia subordinated her whole economic and financial policy to the currency question. The splendid spirit of enthusiastic self-sacrifice that prevailed throughout the country created an atmosphere which enabled the Government to arrest the progress of inflation and to establish the monetary and financial future on a solid basis. These efforts for the speedy stabilisation of the currency undoubtedly called for great sacrifices on the part of all classes, and brought about a very difficult situation at a time when in other countries the rate of exchange was rapidly falling, and when international disputes were having a deplorable effect on international trade. In a few years the currency was stabilised after a marked rise in the exchange. Stabilisation was attended by a serious economic crisis, from which producers suffered most, and which increased some of the country's economic difficulties, because it had embarked on the stabilisation of its currency earlier than most of its neighbours. Czechoslovakia's monetary policy reacted on her whole economic policy, and had its effects on prices, on national savings, and on credit. The maintenance of the rate of exchange in face of the results and influences of international currency fluctuations sometimes necessitated exceptional measures, with regard to foreign exchange and trade. A decree dated January 17th, 1927, has to a great extent decontrolled foreign exchange dealings, so that now, even apart from the complete freedom allowed in many classes of transactions, it cannot be said

that there is any real control of the foreign exchange market, and only a mild degree of supervision.

3. Czechoslovakia has always endeavoured to avoid inflation, and to balance her budget. There is no doubt that the exceptional post-war conditions and necessities, the urgent social reforms required, and all the expense of creating a new State, were a great strain on the country's resources and could not be entirely paid for out of taxation. Consequently in the first few years after the war, there was a considerable increase in the national debt, and the interest and sinking fund are a serious handicap on production. The fact remains that Czechoslovakia did not issue any new notes to meet her public expenditure. She was compelled to impose heavy taxation, heavier than that in many other countries. In the last few years, the economic situation has called for stricter economy in the State finances. Czechoslovakia has not contracted any fresh debt ; she is successfully consolidating her floating debt, part of which she is paying off, and for two years the budget has been balanced without the aid of new loans. Efforts are now being made to reduce the debt, to lighten the burden of amortisation and interest, to restrict expenditure, and to lighten taxation, so far as it tends to restrict output. This strict fiscal policy at a time when, in certain other countries, production is not hampered by such heavy taxation, has been responsible for great difficulties in production and trade, has retarded the accumulation of capital, and made it difficult to find funds for public works, and for Czechoslovak products to compete either in foreign markets or in the home market.

4. Czechoslovak agricultural and industrial production was handicapped for a long time by the results of the war. In agriculture, the scarcity of certain essentials, such as artificial fertilisers, and the great decrease in live-stock, for a long time prevented any system of rational and intensive production. The situation was made worse by the fact that Czechoslovak agriculture enjoyed no Customs protection, as the duties on agricultural produce had been suspended during the war ; agriculture was at the mercy of fierce foreign competition, which made itself felt more than ever at the time of the stabilisation crisis. The remunerativeness of capital invested both in the reconstruction of agricultural enterprises which had suffered heavily during the war, and in new undertakings, thus became highly problematical. There was also the social aspect of the agricultural question, which became acute during and after the war, and called for an immediate solution. A well-conceived system of agrarian reform avoided serious economic and political disturbances, and ensured a lasting social peace. It was thus possible gradually to replenish the country's live-stock, and again to provide fertilisers, which could once more be freely imported from abroad. It was only after these preliminary conditions had been fulfilled that agriculture, benefiting in its turn by the improvement in the general conditions of production in other industries, was in a position successfully to develop an intensive production which could take advantage of technical progress and advances in research and organisation. Agricultural output has been developed and assisted by efficient industrialisation in many directions ; and agricultural credit and exports of agricultural produce have been greatly encouraged by sound co-operative organisation on a large scale.

The general depression in agriculture throughout Europe after the war, which appeared chiefly in the difference between the prices of agricultural and manufactured

goods, was the more marked in Czechoslovakia owing to the fact that the agricultural industry of this country did not enjoy any tariff protection at a time when it was more heavily taxed than its foreign competitors. The disastrous results of foreign competition had therefore to be warded off by affording some measure of tariff protection to agriculture. In Czechoslovakia, as throughout Europe, agriculture is still suffering from the depression caused by the fall in the selling prices of certain important agricultural products, which bear no relation to the cost of production.

5. Czechoslovak industry was placed in a very difficult position, owing to a complete change in the fundamental conditions ruling output and markets. The local market was more restricted ; what had formerly been the home market was now broken up among a number of protectionist countries. Czechoslovak industry has therefore become most marked by an exporting industry, and in some of its branches, more than half — sometimes as much as three-quarters — of the output is exported. On the other hand, those countries which at one time were the most important customers of Czechoslovak industry have been seriously affected by the war, and their purchasing power has shrunk as a result of the collapse of their currencies. Besides all manner of obstacles set up by trade policy (obstacles which still exist), the Czechoslovak export trade has had to cope with difficulties arising out of the control of foreign exchange dealings, insufficient legal protection against certain kinds of operations, and a situation of general uncertainty with regard to credit conditions. All these factors have entailed serious losses.

Owing to the monetary and financial policy followed by the Czechoslovak Government, industry was handicapped to a greater extent than in countries where the currency had not been stabilised. It therefore had to bear particularly high costs of production, not to mention the evil effects of dumping. Like other countries, Czechoslovakia began to suffer from a certain degree of impoverishment, scarcity of capital, and especially a decrease in the amount of capital employed in productive enterprise. It became really difficult to secure funds for productive investment at the very time when industry was most interested in concentrating on technical improvements, for, in order to find new markets and in order to make changes in output, a continuous process of technical improvement is essential.

Czechoslovak industry suffers very much from the fact that, in some of its chief markets, new industries have been created, very often with State encouragement in the form of high protective tariffs. That is why Czechoslovak industry has not only had to look for new markets — a process which involves considerable expense — but also to make changes in structure and grouping, which likewise entail heavy capital losses. Some forms of manufacture are suffering from this state of things, and Czechoslovak industry, as a whole, is passing through a stage of reconstruction attended by chronic unemployment.

Transport conditions also are very much more unfavourable to Czechoslovak industry than to its competitors. The Czechoslovak railway system, being laid out on a plan that no longer meets present requirements, will have to undergo considerable alteration. The continental position of the country has proved a disadvantage, particularly in times of economic depression. The combined tariffs in force before the war, which facilitated international traffic, have not been renewed, or at any

rate not to a sufficient extent. Further, the policies adopted by certain countries with regard to freight charges have been unfavourable to Czechoslovak exports, though Czechoslovakia herself, does not base her trade policy on freight charges.

6. All these difficulties, and the conditions mentioned above, determined the trend of Czechoslovakia's trade policy during the years immediately following the war. Trade policy was affected by the problem of currency and finance. It had to allow for the scarcity of the raw materials of industry and for the shortage of food-stuffs ; it had also to allow for political and social instability ; finally, it had to adjust itself to the new situation created by the break-up of the Austro-Hungarian Empire, in consequence of which industry was forced to look for new markets.

After the independence of the country had been restored, a separate Customs unit was organised, on the basis of the Austro-Hungarian tariff of 1906. The exceptional conditions which, in the first few years after the war, governed international trade, particularly in Central Europe, proved that tariff rates alone were insufficient to meet the new requirements of trade policy, and that exceptional measures would have to be applied. It was necessary in the first place to regulate international trade by means of import and export licences.

This measure was found to be essential at the outset, owing to inadequate frontier supervision and for reasons of national security. It aimed chiefly at preventing the export of raw materials required by home industries, and of products forming part of the food supply of the population, and also at bringing foreign trade into line with the exchange policy. When currency disturbances occurred in neighbouring countries, the licensing system was the only measure taken by Czechoslovakia against "exchange dumping". Moreover, there was no option but to adopt the system, since it was being applied at the time by several neighbouring countries. The danger of foreign competition which was due to exceptional conditions, was increased by the Czechoslovak industrial depression in the autumn of 1922, after the currency had appreciated and had been stabilised. It was not until the beginning of 1922 that Customs duties were permanently adjusted to the new economic situation by means of coefficients of increase. After the currency had been brought up to a reasonable level and stabilised, and the duties had been equalised, the system of licences was gradually discarded partly by administrative measures, partly in virtue of commercial treaties providing for complete freedom of importation or for a given import quota. The system of licences now applies only to a small number of articles in the tariff, and will soon be completely abolished, apart from one or two exceptions in respect of the import or export of goods which are also controlled in a number of other countries.

As regards the development of the tariff system, it should be remembered that the autonomous tariffs of the former Austro-Hungarian Empire had to be adjusted to new conditions of output, currency, and prices. After a few attempts at valorisation, tariff reform was achieved in 1922 by the adoption of the system of coefficients of increase applied to basic rates. These coefficients were calculated for each item on the tariff, having regard both to the general economic situation and to the particular position of the industries concerned. These were the lines on which the provisional autonomous tariff was introduced at the beginning of 1922.

This tariff has not been raised since 1922. It must, however, be admitted that the pre-war duties on agricultural produce have been restored, while in 1926 new duties were introduced on a few manufactured products which were previously admitted duty free or at a very low rate (artificial silk, paper, carbon, calcium nitrate, salicylic acid, superphosphates).

In opposition to the prevailing tendency in almost all European countries, Czechoslovakia's tariff rate has, since 1923, been appreciably lowered by a number of commercial conventions. Out of 657 items in the tariff, 361 have been included in commercial treaties, and more than 75 per cent of the rates applied to industrial products have been lowered.

Czechoslovakia has not been slow in endeavouring to regulate her commercial relations with other countries. She has developed an extensive system of conventions based on the most-favoured-nation clause, which she holds to be one of the main conditions, and one of the most effective means, of securing improvement in international trade. The early period in which treaties allowing for quotas were concluded was quickly followed by a period in which treaties aimed at regulating general commercial relations on the basis of the most-favoured-nation clause (1920 : treaties with the Kingdom of the Serbs, Croats and Slovenes and with Switzerland ; 1921 : treaties with France, Germany and Roumania ; 1922 : treaties with Italy, Austria and Spain). Czechoslovakia has continued to conclude commercial conventions and has now signed treaties based on the most-favoured-nation clause with all European countries, as well as with some of the more important countries overseas.

This system of commercial treaties has since 1923 been completed by a series of conventions with tariffs attached, which give a specific meaning to the most-favoured-nation clause in regard to Customs duties.

In these conventions, which so far have been concluded with France, Italy, Austria, Poland, Belgium, Greece, Spain, Switzerland, and Finland, the autonomous rates on most of the items in the Czechoslovak tariff have been lowered, and it is expected that further reductions will be granted in the course of the negotiations pending with Germany and the Kingdom of the Serbs, Croats and Slovenes. A tariff convention has also been concluded with Hungary. These are the lines on which Czechoslovakia has succeeded in regulating, at any rate as regards form, her trade relations with every country. She does not discriminate against any country in respect of duties, but in spite of this, she has not been able to secure, in every case, rates such as would encourage to any great extent the export of her own goods, or even to secure the general most-favoured-nation clause, though she herself grants it to every country without restriction.

Czechoslovakia was prepared to participate in the negotiations opened in 1925 with a view to closer co-operation as regards trade policy. During the discussions, divergences of opinion came to light regarding the general idea of preferential tariffs, the most-favoured-nation clause and its effect on commercial conventions which establish closer economic relations than tariff conventions based on that clause. Consequently, it has not yet been possible to obtain practical results.

7. We have seen from the analysis of the various factors determining Czechoslovakia's economic situation, that this country has suffered from the consequences

of war and of the aftermath of war in every part of its economic structure, but that it has made strenuous efforts to restore normal conditions. The country soon realised that it would have to adjust its economic structure to new conditions, and it has endeavoured to effect the necessary changes as quickly and as judiciously as possible. The currency was stabilised almost without foreign assistance, while public finance was brought into a state of equilibrium by means of heavy sacrifices, the effects of which are still being felt. The economic and particularly the industrial difficulties due to monetary and financial stabilisation have been increased by the obstacles which have been set up against Czechoslovak exports in other countries, much to the detriment of foreign trade. Czechoslovakia's exports of manufactured goods have fallen, as compared with pre-war figures, to a greater extent than those of other industrial countries, while the quantity exported is no greater than in the case of some smaller countries.

After endeavouring to find bases for consolidating her economic situation, Czechoslovakia has regulated her commercial relations with almost every country on the basis of the most-favoured-nation clause. She is continuing to pursue a rational economic policy along the lines already laid down.

Nevertheless, the general economic situation is not yet stable, but is still in a period of transition.

As an exporting country, Czechoslovakia realises that she will be unable completely to restore her economic position, in spite of the considerable efforts made in home policy, so long as international output and consumption have not returned to a position of equilibrium. Czechoslovak production has not yet found its definite place in the world's economic system. Industry and agriculture have still to overcome difficulties arising out of badly-organised economic conditions.

It would therefore be to Czechoslovakia's advantage if a reaction were to occur in the trade policies of other countries in the direction of more liberal and wider agreements and if competition between various industries were determined by such agreements. In Czechoslovak opinion, the principal means of overcoming the present difficulties in foreign trade lie in the system of tariff conventions applied to the greatest possible number of countries and combined with the most-favoured-nation clause so as to ensure to all the benefit of the lower rates obtained by any one country.

Czechoslovakia declares that she is ready to enter into any agreement which aims at facilitating international trade.

The country is in favour of any system of closer economic relations, provided that her sovereignty is respected and that such closer relations between all the countries in question are effective and do not merely consist in rearranging markets, a process which could only lead to conflicting trade policies.

Unless the foundations of the international economic system are well and truly laid, it will not be possible to secure economic stability and to increase the prosperity of all countries which carry on a considerable foreign trade.

## **DENMARK**

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*Report submitted by the Danish Members of the Conference.*

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After the economic chaos which reigned in industry and trade during the war, there followed in every European country a number of difficult years during which trade and industry were primarily occupied in adjusting themselves to a new economic situation. Each country endeavoured to a greater extent than before the war to be self-sufficing and to protect its home markets by means of tariff measures and other restrictions. In order to utilise their full output capacity, various undertakings conceived the idea of concentrating on exports, with the result that those countries whose tariff protection was relatively small suffered most from this state of things.

Denmark has suffered from this internal situation, particularly during the last two years, owing to the very considerable fall in prices, which has made it still more difficult to sell home products in the home markets.

The gold value of the Danish crown had, at the end of 1924, fallen to 65 per cent of its former parity ; it has since returned, and, as from January 1st, 1927, the notes of the National Bank are redeemable on a gold basis. This increase of about 50 per cent in the value of the crown was naturally accompanied by a fall in prices. Thus the index of wholesale prices fell from 243 in January 1925 to 153 in March 1927 — a drop of about 36 per cent — whereas the index of the corresponding retail prices only fell from 221 to 181. During the same period, industrial wages, which are automatically, to a very great extent, determined by the price index, fell by about 20 per cent.

It is only natural that so considerable a movement in prices during the short period under survey — the greatest drop in wholesale prices actually took place between June 1925 (price index 223) and March 1926 (price index 158) — should have seriously dislocated the economic situation of a country. The dislocation was principally due to the fact that costs of production could not fall as quickly as prices of finished goods. Consequently there followed a deflation crisis, which reduced the capacity of the home industry to compete with imported goods. The main symptom of this crisis in Danish industry is the very considerable unemployment, the number of unemployed having risen to twice the normal figure.

In the agricultural industry the crisis has not led to unemployment or to a fall in production, but symptoms of deflation are revealed by the fact that small farming does not pay, owing mainly to fixed taxes on property and to the mortgages effected during the years of inflation. The larger undertakings are faced with the further difficulty that wages have fallen much less than the sale prices of agricultural produce.

The relatively high freight charges which both the State and the private railways have thought it necessary to maintain have also affected the economics of agriculture.

As regards public finance, the drop in receipts during the financial year ending March 31st, 1927, is slight enough to justify the expectation that the final accounts for the year will show a surplus of about 10 million crowns. Readjustment to the new and increased value of the crown has been attempted by means of various draft laws, submitted to Parliament with a view to the reduction of various forms of expenditure. Thanks to her credit, Denmark was able in 1926 to float abroad on favourable terms a loan of about 25 million crowns. Further, the Danish Government has in various ways, by giving its guarantee, made borrowing abroad possible — for instance, in connection with house-building and export credits.

This latter form of borrowing became necessary owing to the very stringent credit policy adopted by the National Bank. The Government felt called upon to give its guarantee in order to relieve the present scarcity of capital by borrowing abroad. As regards export credits in particular, the Government's action enabled the Danish exporter to offer foreign buyers the same credit terms as those given by his foreign competitors in virtue of the State credits granted by the countries. There is therefore no idea of protection underlying the export credits which the Government's action has placed at the disposal of trade and industry.

The difficulties due to deflation and to other conditions at home connected therewith have indirectly produced a further unfortunate effect by making Danish trade and industry more sensitive to harmful influences outside the country.

The natural explanation of this fact is that the foreign trade of Denmark is one of the greatest in Europe per head of population. Since she has no coal or raw materials of industry, Denmark is obliged to import them. Further, her great export trade in agricultural produce is largely dependent on imports of foreign goods (oilcake, maize, etc.). She also imports considerable quantities of wheat in order to make bread, since a large proportion of the Danish crops are used as fodder. The following figures taken from trade statistics for 1925 give some idea of her import and export trade.

<i>Imports.</i>		Million Crowns
Foodstuffs . . . . .		303
Manufactured goods . . . . .		496
Raw materials for industry . . . . .		257
Unfinished goods for industry . . . . .		269
Raw materials for agriculture . . . . .		446
Material for fuel and lighting . . . . .		165
TOTAL . . . . .		1,936
<i>Exports.</i>		
Animal foodstuffs and live-stock . . . . .		1,353
Other foodstuffs . . . . .		93
Manufactured goods and raw materials . . . . .		343
TOTAL . . . . .		1,789

In order to carry on a trade totalling 3,700 million crowns, or about 1,000 gold crowns per head of the population, it is in the first place necessary that goods should be imported at the lowest prices possible and that exports should not be hindered by tariff walls or other measures abroad. Tariff protection, which in Denmark does not apply to agricultural produce, has always been of a very mild kind, and since import duties are as a rule specific and their rates were not altered during the war, tariff protection has been appreciably reduced by the very fact of the rise in prices. The tariff measures applied during the years immediately following the war, at a time when the value of money was subject to considerable variations at home and abroad, were very moderate and only aimed at protecting two Danish industries against temporary dumping. For a country like Denmark, whose exports are of vital importance to the whole economic situation of the country, it is essential that exports should be aided in their attempt to meet competition in foreign markets, and with this object in view any goods which either directly or indirectly affect such exports must be imported at the lowest prices possible. On the other hand, the temporary introduction of imported goods at abnormally low prices would be very harmful to industries which could not compete with the imported goods, and the result would be unemployment.

While freedom of trade should certainly feature among the main points on the Conference's agenda, it is no less important, in our opinion, that special attention should be given, in the forthcoming discussion, to dumping and the need for a satisfactory solution of this problem. A country such as Denmark, which, in spite of considerable economic difficulties, has succeeded in restoring the value of her currency to gold parity, is quite justified in seeking to avoid unfair competition in the form of exchange dumping or in any other form of dumping ; in most cases, moreover, undertakings which resort to this practice can only do so because they operate in protected territory.

Another item on the agenda is likewise of considerable interest to Denmark, namely Point III, 3 (c), "Development of the Purchasing Power of Agricultural Producers". The difference which has arisen between the price-level of agricultural produce and that of other goods has been very harmful to countries such as Denmark to which the sale of agricultural produce is of such importance. The difference can be seen from the wholesale price indices of Danish goods ; for exported goods (consisting chiefly of agricultural produce) the index number is at present 134, whereas the index number for imported goods is 147.

We are of opinion in fact, that tariff policy in Europe and outside it should, as far as possible, be based on the principles laid down in the International Free Trade Manifesto of October 1926, which states among other things that trade is not war but a process of exchange, that in time of peace our neighbours are our customers and their prosperity is a necessary condition of our own. A trade and tariff policy based on this view would play a great part in developing the exchange of goods between peoples and promoting an international distribution of labour that would yield the highest returns in the world output. The importance of such a policy is very evident when we consider the number of new frontiers which have resulted from the world war.

In this connection we should like to draw attention to various circumstances which, particularly during the post-war period, have contributed to make commercial treaties ineffective, especially as regards the most-favoured-nation clause. Thus the rise in tariff rates which often precedes negotiations for the conclusion of a commercial treaty has, according to past experience, tended to increase protection, owing to the fact that the higher rates have not been applied — or only partially applied — for purposes of compensation.

There have, moreover, been cases in which attempts have been made to cancel the effect of the most-favoured-nation clause by means of excessive specification, based on tariff distinctions as to breed or local conditions.

There is no doubt that the growing tendency materially to limit this clause, by not applying it generally but only to certain given categories of goods, has entailed, and will inevitably entail, results which are wholly contrary to the fundamental idea of the clause.

Finally, there is cause for regret in the fact that countries whose commercial policy is based on the double tariff system do not always allow for the particular circumstances of the other party with regard to bargaining. Although the latter may, owing to its very liberal single tariff, be unable to conclude treaties except on the basis of the most-favoured-nation clause, they insist on securing conventional tariffs, thereby attempting to force on the other party conditions which are incompatible with its economic situation and do not always tend to encourage trade. The methods applied by some countries in order to secure information as to cost of production or other data regarding goods intended for importation into those countries have also been very much resented in Denmark and elsewhere.

It is only natural that a statement of the main features of Denmark's position in international trade should mention the loss suffered by Danish trade and shipping owing to the considerable decrease in the former export trade with Russia since the Government of that country has monopolised its trade.

It will be clear from the preceding statements that, owing to her economic structure, it is of the greatest importance to Denmark that no barriers should be set up against international trade. Accordingly the members of the Danish delegation to the International Economic Conference express the hope that the deliberations of the Conference on this point and on the other important points of the agenda may help to create a state of things in which the trade relations so sharply interrupted by the world war will gradually be resumed, and that every country will thus be able to reap the benefit of its economic activities. There can be no doubt that the fate of this policy will be determined by the readiness of the larger countries to take the lead in the movement.

**INDIA**

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*Statement submitted by the Members for India of the Conference.*

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The economic condition of India and her relations with the outside world may be very briefly stated. She is a debtor country in the sense that British and other foreign capital is invested in her railways and irrigation works and in some of her industries in excess of her own investments abroad. On this capital large sums have to be remitted annually by way of interest, the official remittances, which are known as the " Home Charges " and which include pension and other sterling disbursements, amounting to between £30 and £35 millions annually.

In order to find the credits necessary for the liquidation of these claims, both official and non-official, it is necessary for India to export every year goods to a higher value than the value of her imports ; in other words, to maintain a favourable balance of her visible trade. This result is secured by the natural surplus of production over consumption within her own borders. Covering a vast area, the size of Europe less Russia, with a population which numbers one-fifth of the whole human race, the wants of her own people are simple and to a large extent satisfied by her own production ; indeed, local requirements are met chiefly from resources available within reasonably close proximity to the individual consumer.

It will be apparent from this brief summary that the productive effort of India is centred far more on internal than on external markets. Agricultural exports of India, which in one form or another constitute nine-tenths of her total exports, represent at the same time only one-eleventh of her total production. In this respect, in her reliance chiefly on internal markets, no less than in the volume and value of her local resources and the extent of her population and area, unhampered by inter-provincial trade barriers, India presents a picture more closely analogous to that of the United States of America than to that of European States. It is true that in India, as in Europe, the coal, steel and cotton textile industries endure their share of the prevailing depression. The depression is no less keenly felt because in all three industries productive capacity is greater than it was. Other industries also have developed in the absence of foreign competition and under the stimulus of high prices during the war.

India has adopted a fiscal policy which seeks to foster and develop the start which was thus made under pressure of war conditions. Nascent industries, built up with local labour and capital from local materials to meet local needs, cannot be allowed to die under the competition of foreign goods, over-produced abroad and sold in Indian markets at cut rates. The advantage which might accrue to the Indian consumer from these low prices weighs but little in comparison with the necessity

of building up local industries on a sure foundation. The protective policy of India aims at the development of such manufactures only as will one day be able to meet world competition unaided, and protection, whether it takes the form of import duties, bounties or other forms of State aid, is granted only for a limited number of years to individual industries.

Partly as a result of war and post-war conditions, and partly as a result of the adoption of a policy of discriminating protection, a change has occurred in the character of India's foreign trade. Manufactures account for a slightly lower proportion of her imports and a slightly higher proportion of her exports. While, thanks to a succession of good harvests, agricultural production has increased, local consumption has in the main increased more rapidly than exports.

As might be expected in a country where the population largely subsists on agriculture, Government revenues since the war have been raised chiefly through indirect taxation. Thus Customs and excise receipts account respectively for 24 per cent and 22 per cent of the total official revenues of India, to which income tax contributes only 12 per cent.

During the years 1918-19 to 1922-23, revenue failed to balance expenditure and the aggregate of the annual deficits amounted to nearly 1,000 millions of rupees. Severe retrenchments and additional taxation have since restored the financial equilibrium of the Government of India. The national debt has increased since 1913-14 from 1,797 millions of rupee debt and £247 millions of sterling debt to 5,231 millions and £339 millions.

The sterling value of the rupee, which during the earlier years of the current century had been stabilised at 1s. 4d., increased during the concluding years of the war and again during the trade boom which followed, until in the spring of 1920 it reached its maximum of 2s. 10½d. Thereafter, as trade depression developed, exchange fell to approximately 1s. 3d. in 1921. Subsequently, as a result of successive good harvests and favourable trade balances, the value of the rupee appreciated. By legislation of March 1927 the ratio was fixed at 1s. 6d.

India suffered no less than other markets of the world from the rise of prices which occurred during the trade boom of 1919-20 and from the subsequent slump. The economic life of India was affected in many ways :

(a) Although there is not the same problem of industrial unemployment in India as in European countries, yet the usual lag occurred by which the rise of wages followed instead of accompanying the rise of prices. When a subsequent fall of prices occurred and trade became depressed, a general reduction of wages was not found possible.

(b) For several years after the war a serious gap occurred between the prices of raw materials and the prices of manufactured goods. Although both sets of prices were higher than pre-war levels, manufactured goods had appreciated to a greater extent than raw materials. This tendency has had an important bearing on India's trade. Roughly three-quarters of her exports consist of raw materials, while the same proportion of her imports consist of manufactured goods. In other words, a greater productive effort was necessary to enable India to purchase the same volume of imports as pre-war. In actual fact a compromise was evolved whereby

exports increased (by comparison with pre-war) during 1924 and 1925, while imports were relatively less.

(c) Fluctuations of price have been no less serious in India than in other markets. One result has been that stocks of staple goods are no longer maintained in the world's markets to the same extent as pre-war, for the risk of carrying stocks is enhanced through the uncertainty of price levels. Producer and consumer are thus in closer relations with each other than they were in pre-war days, and the effects on prices of over- and under-production are more quickly felt. To this cause may be attributed the growing tendency on the part of producers of tea, jute and similar products to organise the marketing of their goods in order to counteract those abnormal fluctuations of price which must inevitably occur when the absence of stocks permits the unrestrained impact of varying demand on varying supply.

From the point of view of India — a point of view doubtless shared by other great countries producing raw materials in common demand in the world's markets — the vicious circle from which she seeks to escape is one whereby fluctuations of price prevent the growth of confidence, thus militating in the consuming markets against purchases of her raw materials for stock. The absence of such stocks makes itself felt in tendencies which exaggerate fluctuations of price and so further discourage the growth of confidence.

Faced with not dissimilar difficulties, the manufacturing industries of Europe have been forced into conditions of closer and closer organisation. They have learnt that, in the present state of the world's markets, there is little hope of expanding sales unless and until costs are reduced. Reductions of cost are possible in any one or more of the following directions :

- (a) In the organisation of financial and industrial methods, affecting overhead and distributing charges ;
- (b) In the removal of impediments resulting from Government action ;
- (c) By economies in labour charges ;
- (d) By reductions in the cost of raw materials.

Organisation will undoubtedly play its part in the reduction of overhead charges. The manufacturer must look to Governments to realise the importance of removing all unnecessary impediments to trade. In regard to labour charges, while no actual reduction of wages appears in present circumstances to be either possible or desirable, the contribution of labour would take the form of the elimination of waste and of increased production as a result of increased efficiency.

The fourth heading is that with which India as primarily a producer of raw materials and other countries similarly situated are chiefly concerned. Her contribution towards world economic prosperity can only take the form of progressive effort towards a reduction of agricultural costs, an improvement in the quality and quantity of the crops, and, finally, the encouragement of orderly marketing. The effects of this policy will be beneficial not merely to the producer himself in financing him until his crop is finally disposed of and in securing him an increased profit by co-operative sales wisely supervised, but also to the world in general in more efficient methods of cultivation and, therefore, in greater productivity at equal or reduced cost.

The co-operative movement is a means towards this end, and its progress in India during the past twenty years has been striking. Only last year, a Royal Commission was appointed to investigate agricultural conditions in India. The commission has been instructed to explore possible extensions of existing activities in the field of research and demonstration, the introduction of improved methods of agriculture and the extension of rural credit facilities. It is at present engaged in prosecuting its enquiries, and its report is awaited with interest.

It must be remembered, however, that, if real progress is to be made, the manufacturer must share with the primary producer the advantages of the cheaper and better production of raw materials. The demand for manufactured goods can only develop naturally and steadily, as it did in pre-war days, when world prices are stabilised, confidence is restored and equilibrium is again maintained between the costs and profits of producers and manufacturers. Failing such equilibrium, India and the countries at present concerned primarily with the production of raw materials are forced either to curtail their purchases of manufactured goods, at the expense of their general standard of life, or, alternatively, to provide more and more for themselves those commodities which they have hitherto found it convenient to draw from abroad.

(Signed) N. N. WADIA. Campbell RHODES. L. K. HYDER.

**NEW ZEALAND**

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*Statement submitted by James HIGHT, New Zealand Member of the Conference.*

## NEW ZEALAND.

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### I.

The welfare of New Zealand is as closely bound up with the maintenance of peace and the preservation and extension of the freedom of international trade as that of any other country. She has a fertile soil, an equable and mild climate, and a production derived for the most part directly from the land ; her lack of large local markets for manufactures, her immense distance from the great overseas markets, not to mention other disabilities, operate against the development of that cheap mass production of manufactures on which successful competition in distant countries depends, and make her realise that for a long time to come she must concentrate her main energies on producing those primary goods in which she excels, exchanging them overseas for the commodities and services lacking to her because of the limitations of her youth, natural resources, and geographical situation.

Of the total volume of her production, primary and secondary, at least 40 per cent is exported — an exceptionally high proportion — and of this amount 80 per cent is marketed in the United Kingdom after traversing half the globe by oceanic routes. Peace and the security of overseas trade are obviously essential for the prosperity of New Zealand.

Table I. — *External Trade of New Zealand. Value per Head of Population.*

Year	Exports			Imports			Total External Trade.		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
1924	38	17	10	35	17	6	75	15	4
1925	39	18	4	37	17	10	77	16	2
1926	32	0	7	35	5	10	67	6	6

Of the total exports, nearly 95 per cent are products of the pastoral industries — sheep and dairy farming. The home markets depend largely on the profits of the farming class. New Zealand's prosperity varies with her exportable surplus of pastoral products and the return they bring her in imports from overseas of manufactures and materials not obtainable in the Dominion, and in services rendered her from abroad.

## II. PRODUCTION.

Of late it has been necessary to reaffirm the basic importance of production in the economic life of New Zealand, for since 1910 there has been a falling-off in the *volume* of production per head of the population. This decrease has not occurred in the primary industries. Although the ratio of the number employed in these industries to the number employed in all industries fell from 57 per cent in 1911 to 54 per cent in 1921, the volume of output per head was maintained and has since increased.

The following tables set out the main facts :

Table II. — *Value of Production in New Zealand per Head of Population.*

Year.	Value of total Production. £ millions.	Value per head of population. £.
1900-1	31.98	39.4
1910-1.	51.90	49.5
1920-1	99.97	79.3
1923-4	105.96	79.3
1924-5	116.2	85

Using an index number of producer's prices, we obtain an index of the volume of production per head of the population, which it is interesting to compare with the official index number of real wages in the Dominion.

Table III. — *Index Numbers of Volume of Production in New Zealand per Head of Population and of real Wages.*

Year. (Production).	Volume of production per head.	Real wages.	Year (wages).
1910-11	1000	1000	1914
1915-16	980	987	1915
1916-17	926	940	1916
1917-18	890	887	1917
1918-19	834	833	1918
1919-20	844	812	1919
1920-21	805	822	1920
1921-22	810	894	1921
1922-23	944	966	1922
1923-24	945	960	1923

Since New Zealand is so intimately dependent on her export trade, it is necessary to measure the changes in her exports by a method that indicates the real character of their trend in their relation to values and population.

Table IV. — *Exports from New Zealand. Total Values, Index of Prices, and Index of Volume per Head of Population.*

Year.	Value £ millions.	Index of prices.	Index of volume.	Index of volume per head of population
1909-13 . . .	20.8	100	100	100
1914 . . . .	26.0	111	113	105
1915 . . . .	31.0	131	113	104
1916 . . . .	33.0	153	104	92
1917 . . . .	31.1	174	86	76
1918 . . . .	27.9	180	75	66
1919 . . . .	53.3	185	138	120
1920 . . . .	45.6	182	120	101
1921 . . . .	43.6	169	124	100
1922 . . . .	41.7	127	158	124
1923 . . . .	45.4	155	140	108
1924 . . . .	51.9	177	141	107
1925 . . . .	55.3	189	141	105
1926 . . . .	45.3			

The tendency to a decline in general productivity shown in Table II is due partly to the shortage of labour and the general dislocation of the war period ; but productivity was almost stationary a few years before the war. Great prosperity came to New Zealand during the period of rising prices, from 1896 onwards ; she is a debtor country and, owing to the pronounced lag of the rate of interest behind the general level of prices, her interest charges grew less in proportion to the profits from her exported products ; moreover, the prices of the goods she sold abroad rose higher than the prices of the manufactures she had to buy. Her unexampled prosperity stimulated land speculation, which became extreme during and immediately after the war ; there developed a fairly general expectation that prices would continue to rise and that the maintenance of a high level of export prices was all that was necessary to secure the means of discharging the financial obligations of the Dominion, public and private. A class of speculators arose ; public borrowing and private extravagance were stimulated. Speculation and reliance on certain schemes for maintaining price levels have resulted in considerable loss to individuals and partly account for a real net loss to the whole community in the lowering of productivity. The extension of Government control and regulation of private businesses begun during the war, and since carried further, has resulted in a certain overweighting of public administration and, besides increasing the ratio of civil servants to the total employed population (14 per cent), and the general debt and burden of taxation, has probably had some part in the reduction of the real output per head. Between 1915 and 1925, the number of public employees (State and Local Bodies) increased 37 per cent (from 57,719 to 79,073) compared with an increase of only 18 per cent in the general population.

At the present time the chief obstacle to an increase in the rate of production is the disparity between the costs of producing and marketing the staple exports of the Dominion and the purchasing power of the buying markets. Costs can be reduced by

minimising, with due regard to efficiency and progress, the machinery, inconvenience and expense of State or associational control and limitation, and by improvements in the organisation and technique of the industries concerned. Great hopes are centred in co-operation in production, credit and marketing. Co-operation has been a conspicuous success in organising the dairy industry within New Zealand, and it has recently been extended to the regulation of the export trade in meat, dairy produce, fruit and honey. The application of these and other remedies lies with the Dominion itself ; but the causes and nature of the immediate problem they are designed to solve are not without universal interest.

In 1923-24, the total net value of production in New Zealand was £106 millions, of which the primary industries contributed 72 per cent, a proportion showing little variation since 1900. Of the secondary industries, the largest and most important are those engaged in preparing primary products for market. The following is one of the most useful classifications of these industries (Bulletin No. 24, Canterbury Chamber of Commerce) :

Table V. — *Secondary Industrial Groups.*

<i>Group I.</i>	Product	Gross value of product (£ millions)	Value of net product (added value) (£ millions)	Number of establishments
	Animal food . . . . .	33.1	6.8	538
	Other animal matter. . . . .	1.1	0.5	66
	Total . . . . .	34.2	7.3	604
<i>Group II.</i>				
	Drinks, etc. . . . .	1.9	1.1	211
	Heat, light and power . . . . .	4.6	2.2	146
	Stone, clay and glass. . . . .	1.9	1.5	166
	Publications . . . . .	3.6	2.7	292
	Vehicles . . . . .	1.9	1.2	738
	Furniture . . . . .	1.4	0.7	294
	Chemicals. . . . .	1.0	0.4	60
	Total. . . . .	16.3	9.8	1907
<i>Group III.</i>				
	Vegetable food . . . . .	6.4	1.7	130
	Wood products . . . . .	5.9	4.3	625
	Non-precious metals . . . . .	3.1	1.9	375
	Leatherware and saddlery . . . . .	3.0	0.8	161
	Textiles. . . . .	1.5	0.7	16
	Apparel. . . . .	3.9	1.8	311
	Other classes . . . . .	2.7	1.7	342
	Total. . . . .	26.5	12.9	1960
	Grand total. . . . .	77.0	30.0	4471

The products in Group I have to be sold, as a rule, in competitive overseas markets, after meeting transport costs to those markets. They are entirely unsheltered against the competition of goods from rival producing countries. The products of Group II enjoy an almost completely sheltered local market, for the bulk of the products included in this group has the local market to itself, because either the product has to satisfy particular local needs or transport costs from overseas are prohibitive. Group III contains almost all the products subject in an appreciable degree to the competition of imports.

Many of the difficulties of the post-war period in the Dominion arise immediately from the disparity between prices and costs throughout these industries. The industries protected, whether by tariff or transport costs or peculiarities of local demand, still obtain relatively high prices, often reaching 100 per cent above the 1914 level. In the case of the other industries, those of Group III above and all the primary industries (supplying nearly the whole of the export trade), prices are determined by overseas competition and at present are ranged closely round 50 per cent above the 1914 level. The prices received by the sheltered industries and the commercial and transport services determine costs in the important group of unprotected industries, and in many cases these fundamental industries are finding it impossible to cover their costs with the prices now ruling in world markets, at a time when a greater amount of exports is required to obtain in exchange the same volume of imports as formerly.

### III. OVERSEAS TRADE, TARIFF, FINANCE.

Changes in the prices of her exports vitally affect the welfare of New Zealand. For some time past these have fallen. In the calendar year 1926, exports fell in value to £45,275,575 from £55,262,272 in 1925. There was an excess of imports of £4,613,988 as the corresponding fall in import values was only from £52,456,407 to £49,889,563. The shrinkage of nearly £10 millions in export values was due, not to a decrease in volume, but to the lower prices received in world markets.

The following table shows how these prices have changed during late years and also brings out the recent disparity between the prices of pastoral and other products.

Table VI. — *Index of Prices of New Zealand Exports, Imports, Animal Products and General Wholesale Prices and Total Values.*

Year.	Exports.	Imports.	Animal products.	Wholesale prices.	Value of imports £ millions.	Value of exports £ millions
1913 . . . . .	100	100	100	100	22.3	23.0
1920 . . . . .	168	239	174	206	61.6	45.6
1921 . . . . .	155	209	154	192	42.9	43.6
1922 . . . . .	117	176	118	165	35.0	41.7
1923 . . . . .	143	158	133	158	43.4	45.4
1924 . . . . .	163	156	137	165	48.5	51.9
1925 . . . . .	174	154	144	161	52.5	55.3
1926 . . . . .	—	—	—	—		
March . . . . .	144	151	136	158	49.9	45.3
June . . . . .	144	149	131	156		
September . . . . .	144	147	127	155		
December . . . . .	127	147	122	153		

The causes of the fall in prices are complex. The chance of error in estimating demand and supply is general, but greater in a remote country like New Zealand than elsewhere. The improvement and stabilisation of the rate of exchange between Britain and the U. S. A. and other countries competing with New Zealand in supplying produce to Britain accounted for a considerable part of the fall (probably about 10 per cent) since the money of the New Zealand producer had been practically at par with British money throughout the period of dislocation of the exchanges ; the New Zealand producer, in other words, has thus had to forgo the abnormal profits he enjoyed owing to the depreciation of sterling and of his own money in common with sterling. But the reduction of the purchasing power in Britain and European countries generally has also aggravated the fall of prices. The primary producer's income falls with the fall in prices ; but his costs tend to remain about the level of wholesale prices, and his net income has therefore been much reduced by recent price movements — a reduction which reacts injuriously on the whole Dominion.

The Customs tariff of the Dominion has some influence in keeping up the farmer's cost of production, whilst the return for his goods sold in unsheltered markets has been falling. The tariff is one designed to give moderate protection to manufacturers as well as a considerable revenue. In 1926, over eight and a-half million pounds revenue was derived from Customs Duties. The revenue per head of population thus obtained increased from £2 11s. 8d. in 1899 to £5 19s. 9d. in 1925. The revenue got from each pound's worth of imported goods fell in the same period from 4s. 8d. to 3s. 2d. In 1925, 53 per cent of the value of imports was assessable for duty. The average rate of duty levied on all dutiable imports fell between 1897 and 1925 from 37 to 30 per cent. The ratio of the revenue raised from import duties to the total value of imports was 15.8 per cent in 1925 compared with 20.7 per cent in 1905. The opinion is growing that tariff reform is necessary in the economic interests of the country in the direction of greater simplicity and reductions likely to diminish the cost of production in the primary industries.

The prosperity due to the profits of external trade stimulated public and private borrowing. The debt of the General Government increased about fourfold between 1904 and 1924, including £77 millions for war purposes. The net debt on March 31st, 1926, was £236,581,216, or £167 16s. 3d. per head of population. A little over half of this debt has been devoted to purposes directly reproductive — railways, electric supply stations, advances on land, etc. About 54 per cent was raised in London, most of the remainder in New Zealand. The annual interest charges due in London amount to about £5 millions and on the average since 1920 over £5 millions new loans have been raised there each year. There is in addition a debt, contracted by the local authorities and largely productive, of over £54 millions or £39 3s. 2d. per head of population with an annual charge of £3,331,163, about £13 millions of which was raised in London. The total public debt is therefore about £291 millions or £207 per head of population. The greater part of this was absolutely necessary for the development of the country, but borrowed money involves a certain amount of extravagance, luxurious expenditure, and a misdirection of labour and capital, and there is now a demand for a stricter control of expenditure and such a reform in public accounting and budgeting as shall clearly show the exact financial position of the various State

and Local Body enterprises. The burden of a large debt tends to increase in times of falling prices such as the present.

The total revenue of the Government raised from taxation in 1926 was £17,254,688, or £12 7s. 11d. per head ; of this Customs contributed £8,573,388, land tax £1,266,659, and income tax £3,368,516.

The expenditure of the Dominion Government has increased owing to rising prices and the needs of an increasing population, but at a greater rate than prices and population.

Table VII. — *Expenditure of the General Government of New Zealand in £ millions.*

March 31st.	From Consolidated Fund.	Increase of net debt.	Total expenditure.	Interest and sinking fund charges.
1915 . . . . .	12.4	5.0	17.4	3.1
1916 . . . . .	12.5	9.3	21.8	3.2
1917 . . . . .	14.1	19.6	33.7	4.0
1918 . . . . .	15.1	20.3	35.4	4.4
1919 . . . . .	18.7	24.3	43.0	6.1
1920 . . . . .	23.8	23.8	47.6	7.2
1921 . . . . .	28.1	3.6	31.7	7.8
1922 . . . . .	28.5	10.7	39.2	8.4
1923 . . . . .	26.3	1.2	27.5	8.9
1924 . . . . .	26.2	1.6	27.8	8.9
1925 . . . . .	27.4	5.7	27.5	8.9
1926 . . . . .	23.6	11.0	34.6	9.5

The expenditure from the Consolidated Fund, corrected for changes in population and prices, was 9 per cent higher in 1924 than it was in 1915.

#### IV. POPULATION ; MIGRATION.

At the census of 1926 the population of New Zealand and dependencies was 1,462,262 (748,208 males, 714,054 females) an increase of about 350,000 or 30 per cent compared with 1913. During the last fifty years, the major part of the increase has been due not to migration but to the excess of births over deaths. The rate of this natural increase for the period 1921-25 was 13.62, the birth rate being 22.24 and the death rate 8.62. The death rate (8.29 for the year 1925) is the lowest in the world, as is the rate of infantile mortality (43 deaths under one year per 1,000 births).

The excess of total arrivals from overseas over total departures each year since 1891 has varied in number from about 14,000 to about 1,000 ; in 1913 it was over 14,000 ; during 1920-25 it has averaged about 10,000 ; in 1926 it was 11,861. Among the arrivals there is now always a considerable number of tourists and of New Zealanders returning from visits abroad. Of the new settlers, a certain number are assisted to the Dominion by a Government contribution to their transport costs. The number of such assisted immigrants who landed from April 1921 to March 1926, was 37,103, of whom 25,739 settled in the North Island. In 1926 11,795 persons were assisted.

Assisted passages may be granted (*a*) to a person nominated by a New Zealander willing to accept certain responsibilities in respect of maintenance and employment of the immigrant, and (*b*) to domestic servants, experienced farm workers, and public schoolboys desiring to take up farm work. The immigrants are selected in the United Kingdom. It is found that quite 90 per cent of them are employed at the time they apply. If they lack the funds necessary for the journey, the Government may lend the sums required ; default in repayment is very rare. A very large number of immigrants themselves subsequently become nominators of friends at Home.

One advantage of the nominating system is that the flow of immigrants tends to be automatically regulated according to the economic conditions within the Dominion at the time ; a nominator will not accept the responsibilities of nominating unless there is a reasonable prospect of finding the necessary employment for his nominee. The Government also fixes a limit to the number who may be assisted in a given period, and it may discontinue assistance altogether in the slacker seasons, as, for example, during the months from April to July of 1927.

## V.

It is not difficult to see that New Zealand is most intimately concerned in the strengthening of the purchasing power and productivity of the countries with which she trades or hopes to exchange goods, in the lowering of the various fiscal barriers to the international flow of goods, and in promoting the general recognition of the absolute necessity from the economic standpoint of maintaining the peace of the world. She believes that her own particular economic troubles of the past few years, though associated with and mostly caused by the war, have, some of them, been intensified by mistakes naturally made by her governments and people in coping with an economic situation of unparalleled magnitude. It is in the hope of reducing the chance of such mistakes in the future, as well as of remedying the present evils, whether arising from them or from the general upheaval, that she welcomes the International Economic Conference as a means of exchanging ideas and building up on the solid basis of experience sound principles of economic policy which may be available for all to apply with due regard to their relative circumstances.

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**C. E. I. 29.**

**5th Series.**

LEAGUE OF NATIONS

ECONOMIC AND FINANCIAL SECTION

**INTERNATIONAL ECONOMIC CONFERENCE**

(Geneva, May 1927)

DOCUMENTATION

15

**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.)*

**BELGIUM**

**GREECE**

**BRAZIL**

**POLAND**

**COLOMBIA**

**UNION OF SOUTH AFRICA**

GENEVA, 1927

Publications of the League of Nations

II. ECONOMIC AND FINANCIAL

1927. II. 31 (e).

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 May 12th, 1927, and transmitted by the members nominated by the Governments of Belgium, Brazil, Colombia, Greece, Poland and the Union of South Africa.

Statements from Austria, Finland, Great Britain, Luxemburg, the Netherlands and Sweden were published in the first series of the present booklet ; statements from Italy, Latvia, Norway and Portugal were published in the second series ; statements from Bulgaria, Estonia, Hungary and the Kingdom of the Serbs, Croats and Slovenes were published in the third series ; statements from Czechoslovakia, Denmark, India and New Zealand in the fourth series. Any statements which may be forwarded to the Secretariat after this date will be published as soon as received.

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## BELGIUM

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*Main Aspects and Problems of the Economic Situation of Belgium,  
from the Point of View of Her International Relations.*

## BELGIUM

*Main Aspects and Problems of the Economic Situation of Belgium,  
from the Point of View of Her International Relations.*

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According to the results of the census of the population taken at the end of 1920, 47 per cent of the active population was employed in industry, 15.25 per cent in agriculture and forestry, and 18 per cent in commerce, transport and finance. These figures show the preponderating importance of industry in Belgium ; nevertheless agriculture also constitutes an essential factor in the general prosperity of the country.

The economic situation in Belgium is entirely dominated by the fact that, on account of the smallness of the home market, she can only exist by developing her foreign trade. This dependence on, or, more correctly, interdependence with, other countries has an effect of greater importance for Belgium than for perhaps other countries. The problem has four aspects :

Belgium must import from abroad large quantities of foodstuffs, raw materials and auxiliary materials. On account of her industrial development, she is, moreover, obliged to find foreign markets for a large portion of her industrial — and even agricultural — products.

Belgium is also forced to export capital in various forms — by subscribing to foreign loans, granting medium- and long-term trade credits, establishing Belgian enterprises abroad — as the prosperity of certain branches of her most essential industries is indissolubly linked up with such exportation. Finally, for various reasons, Belgium has always absorbed a large amount of foreign capital to maintain her working capital, and develop her home equipment and capitalistic expansion abroad.

Another important fact should be noted.

During the war a great part of the country's industrial equipment was destroyed, so that Belgium's foreign trade was interrupted for a long period and she thus lost long-standing trade connections. These conditions have had a far-reaching influence on the economic situation of post-war Belgium.

\* \* \*

In 1925 the amount of coal consumed was 31,520,000 tons<sup>1</sup>. Of this amount, 12,672,000 tons, or 40 per cent, were imported. Liquid fuel to the net value of nearly 200 million francs was also imported in 1926.

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<sup>1</sup> This figure includes the amount consumed by the Grand-Duchy of Luxemburg, because the statistics for the two countries cannot be separated.

The following table gives the approximate percentages of raw materials, in the strict sense of the term, which have to be imported for some of our main industries :

	Per cent
Iron industry : Iron ore . . . . .	98
Manganese ore . . . . .	100
Zinc, lead and other metallurgical industries.	100 of the ores used
Coke industry. . . . .	56 foreign coal
Flax-spinning industry . . . . .	75
Hides and skins. . . . .	76
Oil-preparing industry . . . . .	90
Industries using timber . . . . .	85

Most of our industries cannot procure their essential raw materials within the country. There are only a few exceptions, such as the cement, brick, sugar, and glass industries ; and some of these are only partly independent of foreign countries for raw materials.

Before the war the total consumption of raw materials proper (apart from fuel and liquid mineral oils) in Belgian industry, excluding agricultural industries, was valued at 2,715,000,000 francs, 2,200,000,000 being imported and about 515,000,000 produced at home. Of the raw materials worked up in Belgian industry, only about 20 per cent was obtained in Belgium. The position has not altered since the war.

\* \* \*

Belgian agriculture is also obliged to obtain abroad certain commodities which may be regarded as raw materials. These are, for 1926 :

	Tons	Net imports : value (millions of paper francs) <sup>1</sup>
Nitrate manures . . . . .	183,000	266
Potash manures . . . . .	207,000	75

Belgium consumes a large quantity of phosphate manures, but the home industry is so highly developed that they are also exported.

Foods for livestock	Tons	Net imports : value (millions of paper francs) <sup>1</sup>
Natural fodder . . . . .	144,000	29
Oil-cake . . . . .	90,000	119
Barley and green barley (half total imports)	121,000	146
Maize <sup>2</sup> . . . . .	621,000	675
Bran . . . . .	84,000	65
Oats . . . . .	105,000	118

<sup>1</sup> Owing to financial instability in 1926 it has not been possible to convert the figures for agriculture into gold currency.

<sup>2</sup> 150,000 tons of maize are set aside for industrial use at the "maize works" (maïserie).

A certain number of agricultural machines and other implements have to be imported, but the Belgian agricultural-implement industry has developed considerably.

Belgium imports certain seeds and selected grains from abroad to the value of about 45,000,000 francs.

According to the results of enquiries published in 1923 about 75 per cent of Belgian requirements in respect of food was covered either directly or indirectly by home production. On the basis of recent investigations for 1925 and 1926 it is estimated that the corresponding figures for those years were 78 and 84 per cent respectively.

Thus Belgium depends to a relatively small extent on imports for her food supply, but there is a considerable shortage of certain commodities.

These are as follows, in order of importance, for 1926 :

(a) *Cereals.* — There has always been a shortage of cereals ; the excess imports of wheat, rice, rye, buckwheat, and oatmeal amount in all to 1,134,000 tons, valued at 2,153,000,000 francs. While the production of cereals for making bread and similar purposes has fallen far short of the requirements, it can hardly be maintained that it would be economically expedient to lessen this dependence on imports by increasing the amount grown of such of these cereals as can be cultivated in Belgium.

It is also perhaps worth pointing out that in 1913 the shortage of the cereals enumerated above was 1,734,000 tons. The fact that it has now fallen to 1,134,000 tons shows that considerable progress has been made ; indeed, the excess imports of wheat, which were 1,541,000 tons in 1913, had fallen to 1,002,000 in 1926.

(b) *Colonial products.* — The excess imports of these products in 1926 were in the neighbourhood of 614,000,000 francs. There is no remedy for this situation, since it is due to climatic causes.

(c) *Meat, fresh and frozen.* — The excess imports were 32,273 tons, value 36,693,000 francs. This represents a considerable advance over 1925. More home-grown meat was eaten, and much less frozen meat imported ; moreover, a larger quantity of fresh home-grown meat of all kinds was exported, which was all to the good of the trade balance.

(d) *Prepared meat.* — This is another article of which there is a shortage. In 1926 it amounted to 4,645 tons, value 651,000 francs — a decrease as compared with 1925.

These are the principal commodities for which Belgium is dependent on imports. In 1926, however, the Belgian balance of foodstuffs and agricultural produce showed a considerable improvement, and it appears that foreign countries now serve Belgian agriculture not only as sources of raw materials but also as customers.

The proportion of exports to Belgium's total production—agriculture and industry—exceeds 45 per cent. The following are a few typical examples—relating to various pre-war and post-war years for which the requisite figures could be computed — of industries which are obliged to export most of their output, with the percentage of the output exported.

	Per cent
Rolled metal products . . . . .	54
Chemical industries as a whole . . . . .	45
Explosives . . . . .	61
Matches . . . . .	67
Plate glass . . . . .	90
Window glass . . . . .	95
Crude zinc . . . . .	58
Rolled zinc . . . . .	68
Structural metal and mechanical work, etc. . . . .	40
Cement (artificial and natural) . . . . .	55

The industrial exports of Belgium, which amount to a total of 19,500 million francs, are chiefly as follows <sup>1</sup>.

	1926 (millions of paper francs)
Mineral products . . . . .	1,756.4
Chemical and pharmaceutical products . . . . .	803.7
Leather and furs, made up or otherwise . . . . .	496.2
Textiles . . . . .	3,065.2
Clothing, underclothing and ready-made clothing . . . . .	373.1
Wood and articles of wood . . . . .	240.0
Rubber and rubber goods . . . . .	124.3
Paper and articles manufactured of paper . . . . .	308.9
Articles of stone and other mineral substances . . . . .	1,377.0
Glass and glassware . . . . .	964.0
Metal and metal articles . . . . .	4,548.1
Machinery, mechanical appliances and apparatus (including rolling-stock and electrical material) . . . . .	790.6
Motor-cars, motor-cycles and bicycles . . . . .	262.0
Arms . . . . .	97.1

The commodities for which Belgian industry holds an important place in the world market, even in comparison with the greatest producing countries, are iron, zinc, glassware, diamonds, cement, railway material, textiles, arms, etc.

\* \* \*

The principal groups of agricultural products and foodstuffs exported in 1926 are :

(a) *Live stock*. — Under this head there is an export surplus of 110 million francs, due chiefly to a considerable increase in the export of horses, which reached a record figure in 1926. Imports of all kinds of livestock, particularly cattle, have decreased.

<sup>1</sup> These figures are for the Economic Union of Belgium and Luxemburg.

(b) *Dairy produce.* — This includes milk, butter, eggs and cheese. In 1926 there was a surplus of exports reaching the considerable figure of 110 million francs. This marks a notable advance on 1925 and is due to a decrease in imports of cheeses of various kinds, and butter, and a large increase of exports of eggs.

The excess imports of cheese are considerable : 14,507 tons, value 157 million francs ; in the case of butter they amount to 1,413 tons, value 29 million francs ; as compared with a pre-war figure of 5,614 tons.

The most remarkable progress has been made in the output and export of eggs. In 1913 the net imports of eggs into Belgium were 78 millions, valued at more than four million francs ; in 1926 the net exports were 397 million eggs, valued at 302 million francs, while the home consumption of eggs has increased by over 65 per cent between 1913 and 1926. In a few years Belgium has changed from an egg-importing country to a large exporter of eggs.

It is probable that the butter situation will develop equally satisfactorily.

(c) *Potatoes.* — Before the war the trade balance on potatoes was chiefly favourable. After the Armistice the position changed, and the country became an importer of potatoes ; in 1926 exports again predominated to a very considerable extent : 78 million francs.

(d) *Vegetables, fruit, plants and flowers.* — In the trade balance for 1925, fresh, dried and preserved vegetables showed a deficit of 58,035 tons, value 22 million francs ; in 1926 this was turned into an export surplus of 118,231 tons, value 98 million francs. Fruits, native and foreign, and preparations thereof, showed net imports of 10 million francs in 1925 and an export surplus of 18 million francs in 1926. Plants and flowers showed an export surplus of 36 million francs in 1925, and this rose to 53 millions in 1926.

The foregoing statistical data give an idea of the part played by agriculture in Belgium.

The total agricultural output in 1926 was some 13,560 millions ; it may be subdivided into the following branches :

<i>Cultivation for food :</i>	Francs
Wheat, potatoes, etc. . . . .	3,463,000,000
<i>Cultivation for industrial purposes :</i>	
Flax, sugar-beet, etc. . . . .	1,463,000,000
<i>Animal products</i> . . . . .	10,890,000,000
including :	
Cattle . . . . .	4,195,000,000
Pigs . . . . .	1,404,000,000
Poultry . . . . .	1,938,000,000
Grand total . . . . .	<u>15,387,000,000</u>
Deduct for the purchase of raw materials from home industries or abroad. . . . .	<u>1,827,000,000</u>
Balance of agricultural production . . . . .	<u>13,560,000,000</u>

The deficit on foodstuffs for 1926 was, however, in the neighbourhood of 2,500 millions. It may be said therefore that the food supply of Belgium in 1926 cost

approximately 16 milliards, and that home agriculture supplied, directly or indirectly, about 84 per cent of requirements.

This position, satisfactory though it is, might be still better ; agricultural experts consider that in the comparatively near future Belgian agriculture will be able to supply, either directly or indirectly, all the country's needs, *i.e.*, by the exportation of certain foodstuffs which it produces in favourable economic circumstances to counterbalance the importation of certain foodstuffs which it cannot obtain from its own soil or cannot obtain economically.

If foreign countries hinder the importation of these products by means of Customs taxes or administrative prohibitions, the result may be that Belgium will have to abandon certain branches of agricultural production of the greatest economic importance.

In order to compete in the world market, the Belgian farmer will do his best to lower the cost of production of his goods and improve their quality ; but it is essential that the foreign market should be open to him in order that international prices may be both levelled and reduced and that production and consumption may be increased.

\* \* \*

Before the war, Belgian capital investments abroad were estimated at some 10 milliards, divided as follows :

	Milliards of francs.
Holdings of foreign securities . . . . .	6.
Belgian enterprises abroad . . . . .	3.5
Miscellaneous . . . . .	0.5

These figures have been entirely modified by the events of the war and post-war period. The holdings of foreign securities have diminished to a certain extent, and some items have undergone considerable or complete depreciation. Belgium's industrial property in certain countries has been reduced ; in others it has been abandoned to more powerful financial nations. On the other hand, new and important enterprises have been created ; some will be able to supply Belgian industry with raw and auxiliary materials (petroleum ; zinc, iron and manganese mines, etc.) ; others constitute secure markets for home manufactures (railways, tramways, electricity supply, etc.) ; others again have been created in order to obviate the drawbacks of the protectionist Customs policy of certain countries (metallurgy, building, textiles, etc.).

The investment of Belgian capital in the Congo is also on a large scale, alike in the agricultural, industrial, commercial and financial spheres.

\* \* \*

The necessity of having recourse to foreign capital in order to develop the equipment of the Belgian factories and supply them with working capital had already made itself felt before the war. The great movement of financial expansion which took

place in Belgium before the war would not indeed have been possible without the assistance of foreign capital. Whereas in 1890 the share held by foreigners in firms having their headquarters in Belgium was only 11.93 per cent, it amounted in 1913 to 22.23 per cent. Similarly, as regards firms having their headquarters abroad, the percentage of foreign contributions, which was 25.75 per cent in 1890, rose to 59.06 per cent in 1900 and 64.49 per cent in 1913 (70.40 per cent in 1912).

Since the Armistice the enormous requirements of reconstruction have necessitated in various forms still greater assistance on the part of foreign capital — in particular there is the very large increase in the foreign debt of the State. It may therefore be said that, in spite of the extensive movements of capital in the opposite direction, chiefly at certain periods of rapid depreciation of the currency, since 1918 the imports of capital have been greater than the exports of capital in their various forms.

\* \* \*

Belgium's fundamental economic problem is therefore this : she must export to live and must import to produce and export. In addition, this commercial movement is in practice closely related to movements of capital, both incoming and outgoing.

The necessity of delivering to all the countries of the world (despite the obstacles due to distance and Customs duties) products open to universal competition involves the additional necessity of cutting down costs of production at least to the level of the countries most favoured by their size or their natural conditions.

Before the war the costs of production of Belgian industry were extremely small, particularly owing to the low level of wages, which was perhaps in its turn to some extent due to the low cost of living. This situation has entirely changed. Owing to the legal introduction of the eight-hour day, to the efforts of the workmen's organisations to increase labour's share in profits and to the various measures which have resulted in raising the workers' standard of life, Belgium is no longer a country of low wages and long hours. Unlike what has occurred in many other countries, the coefficient of increase of wages is in certain cases greater than the coefficient of depreciation of the currency. Moreover, taxation, which was very low before 1914, has considerably increased. In short, it is becoming more and more apparent that, in face of the evident impossibility of returning to pre-war labour conditions, Belgian industry must display more determination than ever in employing every possible means of reducing costs of production and particularly in extending the methods of rationalisation and of concentration which are developing so rapidly in other countries, such as Germany and the United States.

\* \* \*

The necessity of increasing output and trade is not confined to Belgium. It may be said, however, that it is felt in that country with particular acuteness owing to the financial obligations towards foreign countries that have been incurred and to the general impoverishment caused by the war.

Unfortunately, in her efforts to obey the dictates of this imperious necessity, Belgium finds many obstacles in her way, the chief of which are the monetary instability which persists in certain countries, the impoverishment which affects more

particularly the former belligerents, the profound disturbance of trade currents following upon the war, the economic isolation of certain large countries which are virtually closed to foreign trade, the exaggerated development of industrial equipment caused by war requirements and inflation, the industrialisation of new countries, etc. All these factors, combined with the financial and industrial preponderance acquired by the United States, have rendered competition much keener than before in Europe as well as in the overseas markets and have led the majority of countries to adopt a definitely protectionist policy or, when they already practised such a policy before 1914, to intensify it to an alarming degree.

From this almost-universal increase of Customs duties, the nations which have only a small home market suffer more than any others.

\* \* \*

Comparison between present trade statistics and those of before the war is not easy. The statistical data before the war were, both as regards imports and exports, considerably swollen by the fact that quantities of goods in transit through Belgium were, owing to certain flaws inherent in our Customs system, included in our statistics of special trade. An initial process of rectification is therefore necessary in order to determine the exact figure of Belgian exports before the war. This work was carried out during the war on the initiative of Professor WAXWEILER. On the basis of this work the Belgian exports in 1913, apart from certain minor items, amounted to 2,375 million francs (excluding exports to the Grand-Duchy of Luxemburg). Since May 1st, 1922, when the Customs Union between Belgium and Luxemburg came into force, Belgian exports to the Grand-Duchy have not been included in the statistics, and the official statistics now include the exports of both Belgium and the Grand-Duchy. According to the information available, Belgium's share in the Union's exports may be put at 95 per cent. Lastly, the values of the 1925 and 1926 statistics must be converted into pre-war francs. After these various rectifications we get the following results : in 1913, Belgian exports amounted to 2,375 million francs ; in 1925, expressed in pre-war Belgian francs, they amounted to 2,340 million francs ; and in 1926 to 2,347 million francs, or 98.5 and 98.8 per cent respectively of the 1913 figures.

To see these comparative figures in their true light, account must be taken of the extent to which Belgium's export trade would have developed if the increase noted from year to year before 1914 had been able to continue in normal conditions.

The necessity of reconstructing her agricultural and industrial equipment after the armistice had a decisive influence on Belgium's position in the world market. It is this which differentiates our country's situation from that of certain others which, like ourselves, are obliged to look for the principal source of the national income in their export profits. Although this reconstruction in the sphere of production is now pretty well complete, its financial consequences still weigh heavily on the country's economic situation.

\* \* \*

It has been observed above that the development of her industrial and agricultural exports is an absolutely vital problem for Belgium. In her own interest, and also

in pursuance of the traditions of a liberal economic policy, she is therefore inclined to adopt measures calculated to minimise or remove the obstacles to the disposal of goods on foreign markets which exist in the sphere of Customs duties, transport, conditions of residence and settlement of nationals abroad, fiscal treatment, etc.

Owing to Belgium's position of dependence on foreign countries for the supply of raw materials for her industry, and to the necessity in which she is placed of developing her exports, she ardently desires the removal of the hindrances imposed by certain countries on the exportation of primary or subsidiary raw materials; whether these hindrances are the result of measures taken by Governments or whether they are the consequence of the policy of concentration and monopolisation adopted by powerful financial or industrial groups.

It has been possible to obviate to some extent the consequences of these artificial systems by obtaining mining concessions for Belgian enterprises abroad or by the establishment of industries financed by Belgian capital in districts presenting the most favourable condition as regards situation. Belgium is in favour of the adoption, subject to equitable reciprocity, of the most liberal principles regarding the freedom of settlement and the investment of capital abroad.

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## **BRAZIL**

*(Brief Notes on Some Aspects and Problems of the Economic Situation in Brazil.)*  
*Report by M. BARBOZA CARNEIRO, Brazilian Member of the Conference.*

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Owing to the immense area of Brazil (8,511,189 square kilometres), three essential problems of her economic life — population, capital, and means of transport — are of primary importance. According to the census of 1920, the population was 30,635,605, which gives a density of 3.6 per square kilometre. This density is not uniform; the population is much thinner in some very extensive zones of the hinterland. Most of the population is concentrated near the sea-coast. It is estimated to-day at about 39 millions. As native labour is insufficient, Brazil depends to some extent for her prosperity on immigration. The immigration figures from 1909-13 are as follows :

1909 . . . . .	85,410	1912 . . . . .	180,182
1910 . . . . .	88,654	1913 . . . . .	192,683
1911 . . . . .	135,967		

During the war, the influx of foreigners decreased by the following percentages, as against immigration in 1913 :

	%		%
1914 . . . . .	57.14	1917 . . . . .	96.74
1915 . . . . .	91.60	1918 . . . . .	96.23
1916 . . . . .	94.29	1919 . . . . .	89.98

This considerable decrease of immigration was aggravated by the fact that many foreign labourers left Brazil to do military service in their own country. The result was an increase in the price of labour. From 1920, immigration began to rise again, as the following figures show :

1920 . . . . .	71,027	1923 . . . . .	86,679
1921 . . . . .	60,784	1924 . . . . .	98,125
1922 . . . . .	66,967	1925 . . . . .	84,883

Before the war, capital was flowing into Brazil at a constantly increasing rate; but during the years 1914-18 the supply was cut off. The shortage of fresh capital

was followed by a considerable decrease in the importation of merchandise. This fact is one of considerable importance for a new country, which is continually in the position of having to buy abroad large quantities of material and machinery of every sort on which its economic life absolutely depends.

Period	Quantity in tons	Imports of merchandise	
		In contos of reis	Value In £ sterling
1909-13 . . .	22,779,000	4,059,320	268,424,000
1914-18 . . .	12,649,000	3,782,750	203,257,000

These figures show that, during the period 1914-1918, the *quantity* of merchandise imported was not more than 55 per cent of the quantity imported during the five preceding years. The value of this merchandise, reckoned in Brazilian currency, attained, however, 93.1 per cent of the value of the imports from 1909-1913. In pounds sterling this proportion came to 75.7 per cent. The difference is due partly to the general increase in prices of foreign merchandise and partly to the diminution of the purchasing power of the Brazilian currency.

Turning to *exports*, we see that, although quantities increased, the value in pounds sterling decreased by 15.6 per cent as compared with the previous period — in other words, although a greater quantity of products were exported, the actual profit realised by Brazil was reduced in consequence of the fall of the milreis. The export figures were as follows :

Period	Quantity in tons	Value	
		In contos of reis	In £ sterling
1909-13 . . .	6,956,000	5,061,433	333,755,000
1914-18 . . .	8,779,000	5,264,208	281,415,000

It must, however, be remarked that the balance of trade was slightly more favourable during this second period. This improvement was principally due to the decrease in imports.

Thus there was a diminution of foreign capital employed in private enterprises or lent to the State, and there was also a considerable diminution in imports. The latter fact has a serious effect on public finances. As is well known, the Union — *i.e.* the Federal State — draws a high proportion of its revenue from import duties, and similarly the product of taxes on the export of certain articles constitutes a considerable proportion of the receipts of the individual Federated States.

The Federal Government had recourse to inflation and to a large increase of the internal debt. On the 31st December 1913, the federal internal debt was 726,746:600\$000, on the 31st December 1919 it rose to 1,042,350:600\$000 and on the 31st December 1926 it rose still further to 2,392,061:000\$000. On the 31st of December 1926, the federal external debt was £102,420,000, 336,489,000 francs and

120,283,000 dollars. The figures of the *note circulation* during and after the war were as follows :

Year	Contos of reis	Year	Contos of reis
1914 . . . . .	980,283	1921 . . . . .	2,049,454
1915 . . . . .	1,076,649	1922 . . . . .	2,233,104
1916 . . . . .	1,217,120	1923 . . . . .	2,572,747
1917 . . . . .	1,483,975	1924 . . . . .	2,963,999
1918 . . . . .	1,700,087	1925 . . . . .	2,706,976
1919 . . . . .	1,748,390	1926 . . . . .	2,569,304
1920 . . . . .	1,848,297		

Prices have increased considerably. The *cost of living* has gone up, according to the index figures given by the review *O Economista*, in the following proportions :

(December 1912 = 100)

June 1920 . . . . .	222
» 1921 . . . . .	308
» 1922 . . . . .	282
» 1923 . . . . .	294
» 1924 . . . . .	317
» 1925 . . . . .	400
» 1926 . . . . .	264

The rate of the milreis has undergone the following fluctuations :

Year	Rate of the milreis in pence	
	Lowest	Highest
1913 . . . . .	16 $\frac{3}{64d}$ .	16 $\frac{3}{32d}$ .
1914 . . . . .	16 $\frac{3}{32d}$ .	16 $\frac{32}{64d}$ .
1915 . . . . .	11 $\frac{15}{16d}$ .	14 $\frac{7}{32d}$ .
1916 . . . . .	11 $\frac{11}{32d}$ .	12 $\frac{3}{32d}$ .
1917 . . . . .	11 $\frac{25}{32d}$ .	13 $\frac{25}{32d}$ .
1918 . . . . .	11 $\frac{25}{32d}$ .	13 $\frac{15}{16d}$ .

The year 1919 showed considerable exports and a favourable balance of trade, which brought with it a rapid improvement in the course of the milreis. Its lowest value in 1919 was  $12 \frac{7}{8d}$ ., its highest  $18 \frac{9}{16d}$ . This improvement was not, however, maintained. In 1920 the milreis fell to  $9 \frac{4}{64d}$ . The three next years were difficult ones, economically speaking, for Brazil. In 1921 the milreis fell to  $8 \frac{9}{32d}$ . ; in 1922, the downward movement continued : the milreis fell to  $7 \frac{1}{5d}$ . and in 1923 its value decreased to  $4 \frac{21}{32d}$ . In 1924 it rose to  $6 \frac{15}{16d}$ . ; in 1925 it varied between  $4 \frac{7}{8d}$ . and  $7 \frac{5}{8d}$ . ; in 1926 its highest rate was  $7 \frac{29}{32d}$ ., its lowest  $5 \frac{15}{32d}$ .

The figures for foreign trade since the war are the following :

*Exports.*

Year	Quantity (tons)	Value	
		In contos of reis	In £
1919 . . . . .	1,908,000	2,178,719	130 085,000
1920 . . . . .	2,101,000	1,752,411	107,521,000
1921 . . . . .	1,019,000	1,709,722	58,587,000
1922 . . . . .	2,122,000	2,332,084	68,578,000
1923 . . . . .	2,229,000	3,297,033	73,184,000
1924 . . . . .	1,835,000	3,863,554	95,103,000
1925 . . . . .	1,925,000	4,021,965	102,875,000
1926 . . . . .	1,853,000	3,181,715	93,972,000

*Imports.*

Year	Quantity (tons)	Value	
		In contos of reis	In £
1919 . . . . .	2,780,000	1,334,259	78,177,000
1920 . . . . .	3,277,000	2,090,633	125,005,000
1921 . . . . .	2,578,000	1,689,839	60,468,000
1922 . . . . .	3,264,000	1,652,630	48,641,000
1923 . . . . .	3,576,000	2,267,159	50,543,000
1924 . . . . .	4,428,000	2,789,557	68,337,000
1925 . . . . .	5,018,000	3,376,832	84,443,000
1926 . . . . .	4,849,000	2,678,550	79,177,000

In 1913, Europe's exports to Brazil were 71,6% of the total ; In 1926, they had fallen to 58,1%. Brazil's exports to Europe were 58,9% of the total in 1913 and 46% in 1924.

The following figures show the exports of the principal classes of products during the last five years :

I. *Animals and Animal Products.*

Year	Quantity (tons)	Value	
		In contos of reis	In £ sterling
1922 . . . . .	107,968,000	182,769	5,398,000
1923 . . . . .	198,256,000	344,007	7,651,000
1924 . . . . .	160,801,000	281,631	7,028,000
1925 . . . . .	142,682,000	272,880	6,800,000
1926 . . . . .	75,771,000	188,872	5,574,000

II. *Minerals.*

1922 . . . . .	342,706,000	35,360	1,060,000
1923 . . . . .	241,539,000	44,885	1,009,000
1924 . . . . .	164,901,000	35,768	879,000
1925 . . . . .	319,864,000	46,495	1,166,000
1926 . . . . .	333,548,000	41,455	1,239,000

III. *Products of Agriculture and Forestry.*

1922 . . . . .	1,670,928,000	2,113,955	62,120,000
1923 . . . . .	1,789,208,000	2,908,141	64,524,000
1924 . . . . .	1,509,157,000	3,546,155	87,195,000
1925 . . . . .	1,462,154,000	3,702,690	94,909,000
1926 . . . . .	1,443,323,000	2,951,388	87,159,000

The exports of coffee, cocoa, indiarubber, maté and cotton formed 85.2 per cent of the total exports from Brazil in 1926. Coffee alone represents 74 per cent. The world trade in coffee is therefore of cardinal importance for the economic life of Brazil. In 1913, Brazil exported 13,268,000 bags<sup>1</sup> of coffee of which 7,670,000 were sent to Europe. In 1924, the total exportation of coffee rose to 14,226,000 bags of which Europe took 6,252,000.

*Transport.* — As is well known, Brazil has several large navigable rivers.

Various States are proceeding to construct high-roads for motors. The length of the present road system is 47,956 kilometres.

Brazil has at present about 31,000 kilometres of railways.

Brazil's mercantile marine has 330 vessels, with a total tonnage of 465,643 tons.

The maritime traffic figures of the Brazilian ports before and after the war are as follows :

*Arrivals (Steamships and Sailing Ships).*

Brazilian ships (year)	Number	Tonnage
1903 . . . . .	12,260	4,471,906
1913 . . . . .	20,905	10,343,968
1919 . . . . .	19,308	9,513,977
1920 . . . . .	19,588	9,575,685
1921 . . . . .	18,286	9,152,917
1922 . . . . .	20,187	11,172,021
1923 . . . . .	21,424	12,472,001
1924 . . . . .	22,609	13,137,249
1925 . . . . .	22,760	13,603,854
Foreign ships		
1903 . . . . .	3,808	6,916,392
1913 . . . . .	6,877	18,826,291
1919 . . . . .	3,818	8,440,343
1920 . . . . .	5,241	15,365,781
1921 . . . . .	4,442	13,990,239
1922 . . . . .	5,077	16,287,954
1923 . . . . .	5,659	19,209,808
1924 . . . . .	5,634	19,771,932
1925 . . . . .	5,743	19,804,864

<sup>1</sup> 1 bag = 60 kilos.

*Sailings (Steamships and Sailing Ships).*

Brazilian ships (year)	Number	Tonnage
1903 . . . . .	12,378	4,476,195
1913 . . . . .	20,970	10,345,624
1919 . . . . .	19,327	9,520,981
1920 . . . . .	19,542	9,540,411
1921 . . . . .	18,283	9,128,845
1922 . . . . .	20,224	11,202,528
1923 . . . . .	21,443	12,484,481
1924 . . . . .	22,543	13,075,305
1925 . . . . .	22,728	13,509,910
Foreign ships		
1903 . . . . .	3,835	6,945,345
1913 . . . . .	8,895	18,858,678
1919 . . . . .	3,843	8,425,029
1920 . . . . .	5,194	15,229,493
1921 . . . . .	4,484	14,064,654
1922 . . . . .	5,076	16,244,583
1923 . . . . .	5,671	19,257,727
1924 . . . . .	5,606	19,529,613
1925 . . . . .	5,828	19,982,233

*The industry of Brazil* developed considerably during the war ; we give below some figures on the development of its most important branch : the manufacture of cotton goods :

	1905	1920	1925
Capital . . . . .	165,569:000\$000	353,223:000\$000	920,000:000\$000
Number of factories . . . . .	110	243	257
Number of looms . . . . .	26,420	35,248	70,500
Number of spindles . . . . .	734,928	1,538,257	2,350,000
Production in metres . . . . .	442,087,181	584,401,545	670,000,000
Value of production . . . . .	103,460:000\$000	445,802:000\$000	1,000,000:000

In 1920 Brazil had 233 sugar factories, the products of which represented a value of 211,494:575\$000. At the same date there were 231 concerns engaged in extracting maritime salt, the value of their production being 23,955:783\$000. Other industrial establishments numbered 13,289. These establishments employed 296,672 workmen, and the value of their production amounted to 2,931,723:485\$000.

The Bank of Brazil, to which the Government had in 1923 granted the privileges of a bank of issue, began a process of gradual deflation from 1924 onwards. To-day, the Government, having been duly authorised to do so by the Federal Congress, is taking measures to *stabilise* the rate of the milreis and to proceed to a reform of the currency. For this purpose it has set up a stabilisation fund with the purpose of regulating the exchange market and maintaining the rate of the milreis. It is also making preparations with a view to the reform of the Bank of Brazil.

The banking figures before and after the war were as follows :

	<i>Assets.</i>			Percentage of 1919 to 1913 %	Percentage of 1925 to 1919 %
	Contos of reis (paper)				
	1913	1919	1925		
Unpaid capital . . .	100,630	149,288	160,868	+ 48.3	+ 7.7
Bills discounted . . .	294,450	708,312	1,988,773	+ 140.5	+ 180.7
Advances on current account . . . . .	440,312	1,091,242	1,875,903	+ 147.8	+ 71.9
Bills receivable . . .	333,182	841,948	2,691,973	+ 152.6	+ 219.7
Guarantees . . . . .	586,586	1,124,188	1,799,686	+ 91.6	+ 60.0
Securities deposited .	696,776	1,522,005	2,705,961	+ 118.4	+ 77.7
Head Office and branches . . . . .	326,351	1,231,538	1,897,621	+ 277.3	+ 54.0
Title-deeds . . . . .	66,850	116,695	320,439	+ 74.5	+ 174.5
Mortgages . . . . .	97,768	118,361	300,752	+ 21.0	+ 154.1
Metallic reserve at home . . . . .	214,272	570,672	1,038,662	+ 166.3	+ 82.0
Sundry . . . . .	76,612	635,309	1,117,810	+ 729.2	+ 75.9
<b>Total . . . . .</b>	<b>3,233,789</b>	<b>8,109,558</b>	<b>15,898,448</b>	<b>+ 150.7</b>	<b>+ 96.0</b>

	<i>Liabilities.</i>			Percentage of 1919 to 1913 %	Percentage of 1925 to 1919 %
	Contos of reis (paper)				
	1913	1919	1925		
Capital . . . . .	326,233	487,794	756,550	+ 49.5	+ 55.0
Reserve Fund . . . . .	39,136	74,175	334,704	+ 89.5	+ 351.1
Current accounts . . .	475,137	1,195,922	2,739,865	+ 151.7	+ 129.1
Deposit accounts . . .	253,298	712,932	921,382	+ 181.4	+ 29.2
Bills for collection . .	1,519,016	3,037,249	4,634,195	+ 99.9	+ 52.5
Head Office and branches . . . . .	294,506	1,061,035	2,136,037	+ 260.2	+ 101.3
Mortgage debts . . . . .	24,630	3,012	405,056	— 87.7	+ 13,398.0
Sundry . . . . .	301,833	1,537,439	3,970,659	+ 409.6	+ 158.2
<b>Total . . . . .</b>	<b>3,233,789</b>	<b>8,109,558</b>	<b>15,898,448</b>	<b>+ 150.7</b>	<b>+ 96.0</b>

## **COLOMBIA**

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## COLOMBIA

*The Colombian Members of the International Economic Conference are of the opinion that the best way of making known the economic position of their country to the other Members of the Conference is by placing before them a statement regarding Colombia's credit and present business position drawn up by Mr. James C. Luitweiler, of the Banking firm of Baker Kellog, and one of the most important financiers who have visited Colombia in recent years.*

### COLOMBIA'S CREDIT AND THE COUNTRY'S PROSPECTS.

March 11th, 1927.

Editor of *El Tiempo*.

Dear Sir,

I am very grateful to you for asking me for my impressions with regard to Colombia, after my short stay here, so that you may compare them with what I said on my arrival.

I believe one of the most prominent papers of this town, commenting on something which I said with respect to Colombia's wonderful progress during the last ten years and the marvellous future that awaits her, said "I was pulling their leg".

I think the best answer to this is to repeat a story told by Viscount Cecil, member of the British Government, about his college days at Eton. He said: "It is not the habit of students to believe one another implicitly. Thus, in order to be sure of our truthfulness, we used to say: 'I swear by the Cross it is so'. If the other student continued to be incredulous, one could always dissipate his incredulity by adding: 'and I bet a cent (penny) that it is so'. No Eton student would expose himself to lose a cent (penny) by telling a lie".

### BAKER KELLOG'S BUSINESS IN COLOMBIA.

Our firm has, in our judgment, bet a good number of American cents, based on Colombia's solid financial and economic position, on her good faith for the accomplishment of her obligations and on her wonderful future.

I believe, indeed, that up till to-day our firm has originated or shared in the majority of Colombia's loans, not only with regard to the variety of issues bought but also with regard to the total amount invested. Thus, including the most recent loans which we have granted since my arrival here at the town of Bogotá and to the Banco Hipotecario de Colombia, we have shared in loans for \$24,000,000.

Surely, if my opinion with regard to Colombia is too optimistic, it is we who will suffer.

### COLOMBIA'S CREDIT.

I have certain remarks to say with respect to this country and its credit on the American market which may perhaps be unknown to some of the readers of your paper. Colombia is the only country whose actual credit, measured by the balance of prices for which its bonds and securities are sold in the American market, is on a higher level than before the war. Thus the Argentine floated her bonds in London before the war with coupons of 5 per cent; to-day her bonds in the New York market bear coupons of 6 per cent. Chile borrowed in London before the war as low as 4½ per cent, whilst at present she borrows at 7 per cent. Peru borrowed at 5½ per cent, and she is paying to-day 7 and 7½ per cent. It is the same with the other South-American countries.

Colombia, on the other hand, paid rather high interests for some of her loans before the war; but it is even more significant that her issued bonds show an increase during the last years, and that she is now borrowing at relatively cheap rates of interest in the New York market as compared with the rates of interest prevalent in Colombia.

We were able to observe this fact during our recent visit to the Town Hall, where I was shown some of the internal debt bonds of the town of Bogotá, matured a few years ago, which carried coupons of 12 per cent. Compare this with the recent loan of \$2,500,000, which we have granted to the town at the lowest rate of interest that has ever been paid for any of Colombia's departmental or municipal loans. For this loan the town is charged only approximately 8 per cent per annum.

### CONFIDENCE IN COLOMBIA.

This steady advance in the price which the New York bankers are paying for Colombian loans reflects in the eyes of our investors the increasing popularity of Colombia's credit. It is, in my opinion, a sign of appreciation and admiration on the part of the American public for the achievements accomplished by the Colombian nation in the short space of ten years, and is also a sign of confidence in Colombia's future.

### HOW THE BONDS ARE PLACED.

It may be worth mentioning how the issues of Colombian bonds are distributed to the American public. There may exist a wrong conception in the minds of some Colombians who possibly think that a few American banking entities are establishing a dominant and dangerous influence on account of the great number of Colombian securities actually in their possession.

In reality, no firm or banking entity buys an issue of \$5,000,000 or \$10,000,000 in bonds belonging to a Colombian department or municipality in order to lock them in a strong-box. There are something like five thousand banking firms in the U.S.A. which consider themselves as distributors of investments.

These firms attract a public of investors that amounts to something like two million persons. Regarding the issues of Colombian securities, we have been in contact with something like 500 different houses, placed all over the country, which have parti-

icipated in the distribution of these issues, and I venture to suggest that the Colombian bonds of one sort or another are to-day the property of many thousands of persons residing in all parts of the U.S.A. That means to say that the same number of persons are actually Colombia's friends in a very practical sense.

The individual does not invest his savings in a bond for political purposes or any other purpose than that based on an absolute confidence in the final payment of the principal and interest of his bond. You may be sure, therefore, that such bondholders follow with the greatest interest whatever happens in Colombia and are most anxious for the peace and prosperity of the country.

#### A LITTLE CAUTION.

It should not be inferred from what I have said previously that I am in favour of unlimited loans, issued by the "departamentos", towns, or even by the National Government of Colombia. I think it can be said with justice of Colombia that never before have her chances of getting credit been so well within her power as now. But there is the danger that this country may experience the same fate as a boy when he becomes of age and finds himself in possession of a large fortune without the knowledge of how to handle it wisely.

#### A CLEVER POLICY.

What I have said above brings me on to a point which I think is worth mentioning, as it has a relation to the use made by Colombia of the credit reserves still open to her on the American market. I think it would be an excellent plan if each one of the entities which negotiates a loan should consider such loan as the last one to be obtained.

Most certainly, with this in view, the greatest care would be taken to see that the money borrowed was used with strict economy and only for productive purposes.

If each loan were so made it would be equal, so to speak, to a self-liquidating credit operation ; in other words — to borrow, as is done by a well-managed industrial organisation, for promoting extensions and improvements that promise a larger return to the said industry than the cost of the loan itself.

#### DENMARK AND ARGENTINE'S EXAMPLE.

There is a very interesting lesson for Colombia in the way other countries which possess very similar characters to her own have managed their credit operations. I refer to Denmark and the Argentine, which are both agricultural countries. Denmark is one of the smallest nations of the world, its population being three and a half-million inhabitants only and its area 15,500 square miles. Denmark has a debt of over 400 million dollars and, nevertheless, it rejoices in a credit which is to-day considered in the world's money market on the same level as that of the most powerful nations.

Denmark's indebtedness has never brought to that country any sort of political misunderstandings and her loans have been to her a blessing and not a curse. This is due, primarily, to the fact that her foreign loans have for the most part been invested in productive works, such as railways and other ways of communication ; but even

more important is the fact that the development of Denmark's economic life was not retarded by the burden of the national debt and other loans.

Denmark's agricultural development in the last fifty years is something like a fairy tale. That nation is to-day able to compete in the production of foodstuffs with any other nation of the world, and she asks for no favours or special considerations.

#### ECONOMIC DEVELOPMENT AND LOANS.

The Argentine, which is one of the richest of South-American countries, has shared a very different fate. She originated a vast scheme for the construction of railways. Loans were floated on the London market on a large scale during the years 1880 to 1890. When her credit on the London market was exhausted, the nation was not able to pay the obligations for such an enormous debt. This event was followed closely by the Baring panic, which was indeed one of the worst the world has ever experienced. Many years passed before the Argentine was able to re-establish her credit and, needless to say, this caused a great setback to the development of that country.

The mistake made by the Argentine was in the contraction of too many loans at the same time. In that way her economic development was unable to keep in harmony with the burden of the national debt which she had incurred.

There is no doubt that the Argentine has completely recovered from the effects of that disaster and that it ranks to-day amongst the most prosperous countries and is one of the highest financial powers on this continent.

There is, however, no doubt the country would have been in a much better position if she had maintained the proper balance between her economic development and the assumption of her financial burden.

#### THE DEVELOPMENT OF PRIVATE CREDIT.

It is with this consideration in mind that our firm has been trying to divide the financial help which we are now granting to Colombia into "departmental" and town loans on the one hand and loans which will directly help to stimulate initiative and the economic development of private enterprise on the other.

I am referring especially to our first loan of \$6,000,000 to the Banco Hipotecario de Colombia (Colombian Mortgage Bank) and the loan which we have just made this week to the same bank for an extra sum of \$3,000,000. It is also very satisfactory to observe that the American public is now following our progress in this matter and is buying the Banco Hipotecario de Colombia (Colombian Mortgage Bank) bonds at a price just as high as that paid for Colombia's departmental, municipal and even National Government bonds.

Thus the latest issue from the Banco Hipotecario de Colombia, with coupons at 7 per cent, was sold at 97½, that is at a quarter per cent lower price than that obtained a few weeks ago for an issue of 7 per cent bonds of the Agricultural Bank and backed by the National Government. So we have been able to pay, in the case of this new issue, a higher price for the bank's bonds than that received by any other department or town in Colombia to-day, that is to say a price of 91¾.

I do not say this with the wish or intention of arousing jealousies in the different entities which compose the Government and which have sold or are selling their issues in the U.S.A.

For this country it ought to be a pride for the members of the Government to know that sources of American credit have been opened by the way of loans of a strictly private character, and on just as favourable terms as any official loans.

If Colombia could only obtain capital of a private character, reserved for its economic development, at as low a cost as the Government borrows, there ought to exist very little fear of a disequilibrium of national economy, and, while a balance is maintained, the country's debt should rest lightly on her shoulders as was the case with Denmark.

Before I finish, I must say a word of thanks for the excellent hospitality which has been offered to me in this country. It has been a great pleasure to me to have been received in such a polite and kindly manner by the Colombians.

I have felt at home here and I have been treated more like an old friend than like a newcomer. I am sure that any of my countrymen who visit this country will not do otherwise than carry away with them sentiments of friendship and sympathy for the Colombian nation and an unforgettable souvenir of their visit here.

(Signed) James C. LUITWEILER.

COLOMBIAN FOREIGN LOANS SINCE 1923.

Department	Amount authorised	Issued	Firm	Date
Antioquia . . .	\$20,000,000	\$12,000,000	Blair & Co. Securities Corporation E. H. Rollins & Sons, N.Y.	Sept. 1925 (20 years).
Caldas . . . . .	\$10,000,000	\$10,000,000	Baker Kellog & Co., N.Y. Brith Witter & Co., California (Trustees), New York Trust	Jan. 1926 (20 years).
Cundinamarca .	\$5,000,000	\$3,000,000	Kissel Kennicut and Hallgarten & Co., N.Y.	Nov. 1926 (20 years).
Valle . . . . .	\$4,000,000	\$2,500,000	J. W. Seligmann & Co., N.Y.	Oct. 1926 (20 years).
Municipalities				
Medellín . . . .	\$3,000,000	\$3,000,000	The Equitable Trust Co., N.Y.	1923 (25 years).
Medellín . . . .	\$3,000,000	\$3,000,000	Hallgarten & Co., N.Y.	1926 (25 years).
Barranquilla . .	\$4,000,000	\$1,500,000	Central Trust Co., Illinois.	June 1925.
Bogotá . . . . .	\$10,000,000	\$6,000,000	Dillon Read & Co., N.Y.	Nov. 1924.
Totals . . . . .	\$59,000,000	\$41,000,000		

The Colombian Law on Immigration, approved and passed by Congress in the year 1926, opens the country to all world labourers arriving to the Colombian ports provided with a passport bearing the visa of the Colombian Consul in the port of embarkation or to those arriving under contract with either the Government, the "departamentos" or the municipalities. This law is known as No. 74 and its articles on immigration run thus :

*Article 46.* — For every European immigrant of the masculine sex and of a minimum age of 18, brought into the country by public entities, not suffering from any contagious disease, or being affiliated to any subversive societies, the public exchequer will grant a subsidy not exceeding \$30 (£6) when he introduces to the competent authority appointed by the Government the said immigrants in actual capacity to work.

1. The immigrant will receive \$15 (£3) extra when accompanied by his wife and the same amount as well for each of his children.

2. The said entities are under obligation of giving work without delay to the immigrants as stated on the contract under penalty of losing their right to the proposed subsidy.

3. The prohibitions and exclusions referred to by Law No. 114 of 1922 do not include and cannot be applied to subjects or citizens of whatever race they may be as long as the other legal requisites are fulfilled and that they should be protected by public treaties actually in force so as to be able to come into the country and take up residence, work in an honest industry or any paid manual work.

4. The immigrants contracted in the way stated in the first part of this article are entitled to be transported free of charge from the landing port to the interior of the country (towns like Pasto, Cali, Honda, Girardot, etc.) in appropriate vehicles, which will be ready for use by the immigrants when the journey is effected by steamer and not by train.

*Article 47.* — Citizens or subjects of countries which possess no treaties with Colombia, but which possess the qualities and conditions required by the law, will also be entitled to come into the country, as long as they are occupied in public works, the mining industry, agriculture, or in small industries (as laundries, gardening, etc.), and as long as they should settle on the sea-coast or along the rivers in climates with a temperature exceeding 24° Centigrade.

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## **GREECE**

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*Note submitted by the Greek Members of the Conference.*

## GREECE

*Note submitted by the Greece Members of the Conference.*

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1. The economic life of Greece, like that of many other countries, has suffered profound changes as the result of the great war. For Greece, this war, coming as it did after the Balkan struggles of 1912-13 and the great strain they involved, did not even finish with the Armistice of November 11th, 1918, or with the peace signed at Sèvres in July 1920. For reasons which need not be considered here, Greece was compelled to continue the war with her own resources until the signing of the Treaty of Lausanne after the disaster in Asia Minor. The two events entirely changed the position in regard to population. Driven from their immemorial homes, the whole of the Greek population of Asia Minor and Eastern Thrace were cast destitute into the arms of the mother-country. In virtue of the clause in the Treaty of Lausanne providing an exchange of populations, Greek Moslems had also to leave their country. Greece was thus overrun by a starving population of more than 200,000 families, for whom housing and some means of livelihood had to be improvised.

2. She proved equal to the gigantic task. Thanks to the feeling of kinship, to the sacrifices made by the whole nation, and to the enlightened support received from the League of Nations in floating a special loan, the majority of the refugee families were absorbed. Much still remains to be done, however. Important works are necessary to increase the cultivable area in Macedonia, where the plots of land allotted to refugee families are in some cases insufficient for their support, and where the work already accomplished would be jeopardised if it were not completed.

3. The immediate result of the increase in population was an increase in the volume of trade. Imports, which in 1922 amounted to 3,000,000,000 drachmæ, exceeded 6,000,000,000 in 1923 and 8,000,000,000 in 1924, while for 1925 they reached the figure of 9,875,138,000 drachmæ<sup>1</sup>. The export trade has likewise increased, but at a slower rate, for the new population could not become producers in a day, whereas they were necessarily consumers. Furthermore, they wanted land for cultivation ; dwelling-houses had also to be built ; agricultural machinery, livestock, and seeds had to be found.

4. The great war also affected the orientation of Greek trade. In 1913, 19.89 per cent of the total imports came from Russia ; in 1924 only 1.01 per cent. From the United States came only 1.6 per cent of the total imports in 1913, but 13.8 per cent in 1924. The figures for Italy are 3.64 per cent in 1913 and 10.97 per cent

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<sup>1</sup> Documents of the Conference : C.E.I. 2, — Vol. II, page 164.

in 1924. Imports from the United Kingdom, which in 1913 amounted to 23.89 per cent of the total imports into Greece, had sunk to 15.81 per cent in 1924<sup>1</sup>. The explanation of this phenomenon is simple : Russia being no longer able to export cereals, these are now obtained from the United States and Canada. Depreciation of currency has likewise played a prominent part in the commercial orientation of all countries.

5. The adverse trade balance, which has become very considerable in recent years, admits of explanation by the reasons already given — the sudden influx of population amounting to one-fourth of the total population of the country, and the necessity of providing for its maintenance and permanent settlement. The financial help already received from the State for that purpose amounted on December 31st, 1926, to the sum of of £5,500,000 sterling. To this must be added £10,000,000 obtained, with the assistance of the League of Nations, by loans in England and in the United States. The fact that the decrease in the purchasing power of the currency was not commensurate with the increase in the adverse trade balance shows that the invisible elements in the balance of payments have mostly covered the cost of necessary imports, and that the inflow of foreign exchange nearly balanced the outflow.

6. The measures adopted by the United States against immigration have stopped almost entirely the emigration of Greece's surplus population. These measures have likewise affected the remittances received from emigrants, as is evident from the following table, communicated by the Statistical Department of the National Bank of Greece. The following table shows the remittances in pounds sterling from emigrants during the years 1914-1926.

1914	£1,689,663	1919	£14,843,000	1923	£6,771,373
1915	£2,097,850	1920	£22,603,164	1924	£8,674,900
1916	£2,243,050	1921	£15,066,000	1925	£7,474,236
1917	£2,579,083	1922	£4,907,837	1926	£7,622,270
1918	£5,060,470				

These sums were paid through banks, and do not include the sums which, without passing through banks, were brought back by emigrants on their return to the home country.

7. The Customs policy of Greece is based on fiscal necessities and affords moderate protection to agriculture and industry. The imports consist chiefly of foodstuffs (38.41%), cereals being the chief item (24.22%); fuel, raw materials for industry, and essentials like timber, cotton goods, etc., occupy the second place. In recent years, Greece has renewed, in a spirit of international solidarity and co-operation, the greater number of her commercial treaties. From the point of view of world economics, Greece depends on foreign sources for foodstuffs, raw materials, and fuel. She exports chiefly agricultural produce (tobacco, wines, currants, olives, figs, olive oil) which has to contend with international competition and surmount the tariff barriers now raised by all countries at the behest of economic nationalism. Despite its considerable development in recent years, Greek industry is still in a primitive condition; without raw materials and fuel it cannot challenge international competition, and

<sup>1</sup> Documents of the Conference : C.E.I. 2, — Vol. II, pages 166 and 167.

its field of action is strictly limited to the home market. Refugees from Asia Minor have introduced into Greece the carpet-making industry, which might achieve success if it is not crushed by prohibitive tariffs and if the capital necessary for its normal development is available.

8. It is beyond question that the strain caused by eleven years of warfare, the absorption of a million new and destitute inhabitants, the decrease in remittances from emigrants, the protracted crisis in merchant shipping, and political disturbances, have severely tried the finances of Greece and reduced the purchasing power of her currency. The activity of the people, however, their abstemiousness, their enterprising spirit, and the formation of a National Union Government, seem to presage political stability and a rapid improvement in the financial and economic situation of the country. As the result of the exchange of populations required by the Treaties of Neuilly and Lausanne, the pacification of the Balkans is now an accomplished fact. Macedonia, having now a homogeneous population, can no longer be the scene of constant unrest inspired by greed. A tendency towards economic co-operation is showing itself in all the peoples of that unfortunate part of the Near East, and commercial treaties are now under discussion.

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The object of the Economic Conference is to ensure the political peace of the world by limiting the causes of dissension in the economic field. More than any other country, Greece feels the need for this universal peace in order to heal the deep wound left by long years of struggle. The Conference may be sure of her wholehearted support in the noble work in which it is engaged.

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## **POLAND**

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*Its Aspects and its Problems from the Polish Point of View.*

## POLAND

### *Its Aspects and its Problems from the Polish Point of View.*

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1. The economic situation of the world, and above all that of Europe, leave much to be desired since the war. The Chairman of the Preparatory Committee for the International Economic Conference, M. Theunis, described this situation, in one of his speeches, as "economic disorder". Whatever terms, however, we may apply to the present economic condition of the world, it is beyond question that economic reconstruction is a problem of great and immediate importance.

In our opinion this reconstruction ought to have for its object the advancement and democratisation of the well-being of all.

2. In order to accomplish this object, it is necessary : (a) to increase and rationalise production in the widest sense of the term ; (b) to increase the buying capacity of entire nations as well as that of individuals. These two problems are inseparable, and it would not be easy even to mention either of them without the other, since the justification for an increase in production would disappear if no outlet could be found for what is produced.

3. Our first concern, therefore, is to extend our markets and add to their number, and this connotes an increase in the buying capacity of the population of the various countries and also the creation of new wants in the less advanced nations.

The solution would offer no difficulty if we were dealing on the one hand with countries having a purely industrial development and on the other hand with purely agricultural countries (whose natural conditions are not conducive to industrial development and in which the surplus population does not have to seek industrial occupation). In this case it should be the task of both parties to remove all obstacles which might hamper the development of the free exchange of wealth. With but few unimportant exceptions, however, such types of economic structure are not met with in practice ; indeed, in the majority of cases we have to deal with mixed types of economic structure.

The preservation of the agricultural character of countries having such an economic structure and, above all, the checking of their industrial development are far from being to the true advantage of the most highly industrialised countries. For the latter can only find important markets in countries having a prosperous industry and a population in easy circumstances. The export-trade statistics of highly industrial countries confirm this principle, for they show that it is in the countries which themselves possess a highly developed industry that the best markets are found.

The figures for the reciprocal-trade exchanges of the four most highly industrialised countries in Europe — Germany, the United Kingdom, Belgium and France — and

their exports to the United States are as follows for 1913 (the last normal year) : Germany, 34.8 per cent. of its total export trade ; the United Kingdom, 25.2 per cent. ; Belgium, 78.3 per cent. ; and France, 56.0 per cent.

If we remember that highly industrialised countries must export not merely current articles but also costly products, as well as the plant and equipment necessary for production, this truth becomes more evident still. Highly industrialised lands thus become the organisers of the industry of less-advanced countries.

Any argument regarding the development of markets, put forward either with the object of supporting the principle of the international division of labour or in defence of some principle tending to hamper the development of industries in less-industrialised countries, in spite of the fact that their natural resources allow of greater industrial development, calls therefore for the closest scrutiny. For the mere application of such a theory might defeat the purpose in view and even create a danger of exhausting the consumption capacity of such markets.

4. The problem of exchange in the consumer country cannot be a matter of indifference to countries in search of markets.

Until the rate of exchange is stabilised and shows a downward tendency, import trade must, in the very nature of things, be trifling.

A country that has not sufficient reserves and cannot obtain sufficient foreign credit is obliged to maintain an even trade-balance in order to preserve a stable currency. Moreover, countries with a low exchange may be reduced to the unsound procedure of dumping as the result of their currency situation.

The absolute necessity of stabilising the exchange has been generally and unreservedly recognised as the first axiom of post-war economic policy.

5. The second world economic problem to be considered is that of the intensive exploitation of all the natural productive forces of each country, particularly in countries where they are not adequately exploited. This problem can only be solved by providing the countries in question with an adequate supply of capital.

Since the war, the supply of floating capital has been far less than the demand. This capital has been collected in different centres from those of pre-war days, and the highly industrialised countries have most of the benefit of it.

Countries with a mixed economic structure, whose national capital was destroyed by the war, have derived very little advantage from the floating capital available in the world. It is clear, therefore, that a rational distribution of capital is the best means of diminishing the causes of the present crisis. In any such distribution, more weight should be given than hitherto to the needs of countries with a mixed economic structure. Capital will obviously not be invested in the industries of such countries unless those industries are of natural growth and adequate protection.

6. These arguments are based on purely economic grounds ; but the need of reasonable protection for home markets can also be argued from political premises, the chief of which is the necessity of certain industries for the safety of the State.

7. In speaking of protection in general we have given principal consideration to industry.

At the same time, in countries which are wholly or mainly agricultural, any increase in the purchasing power of the public means an improvement in the agricultural

situation. This problem is of special importance in Europe because the European agricultural output, and particularly that of the essentially agricultural countries, is below the pre-war level, and its growth is not keeping pace with that of the consumption of agricultural produce and with the natural increase of population in this continent.

Here again the essential point is a sufficiency of capital, or, to put it more accurately, the organisation of long-term agricultural credit.

8. Questions of population are of the first importance in the economic life of the world. The law of supply and demand, operating on labour, produces a constant current of migration, which may in one way or another affect the supply of goods and the demand for them, both in emigration and in immigration countries.

As a general rule, the largest natural increase takes place among the agricultural class. In industrial countries the surplus population on the land can to a certain extent find an outlet in industry, but the rest of the surplus is forced to emigrate.

Any check on the development of industry in countries with a mixed economic structure must inevitably increase the supply of emigrants ; for industrial workers cannot go back to the land, partly because, as already stated, there is a surplus agricultural population in countries with a mixed economic structure, and partly because of the notorious aversion of the workers to agricultural labour, which they regard as low in the social scale.

However, an increase in world migration has been made impossible for the moment by the attitude taken up by the United States, which, in view of the threatened dislocation of their economic and social system, have been obliged to enforce restrictions upon the influx of immigrants ; these restrictions were at first based on quality and subsequently on numbers. In practice they prohibit immigration into the country.

Although restrictions of this nature may appear to be a disadvantage from the standpoint of emigration countries, it is impossible at present to imagine the re-establishment of absolute freedom of migration. Let us suppose that the United States of America should agree to withdraw all these restrictions. The migration movement would become equivalent to the emigration of whole nations to America, and would effect a very considerable reduction in the population of Europe and an excessive increase in that of America, and the already somewhat unstable equilibrium of the world's economic system would be jeopardised.

In any case, even the adoption by the whole world of certain guiding principles does not hamper the expansion of industry wherever there are possibilities for development, and it would not be possible, in order to solve this problem, to eliminate migration entirely. There will always have to be permanent contact between emigration countries, which are obliged to find an outlet outside their own frontiers for their surplus labour, and immigration countries which have good reasons for subjecting the labour that they require to a process of selection.

9. To sum up these remarks, we find that the improvement of the world economic situation, and especially of the European situation, is an extremely complicated problem which cannot be solved by the application of general principles. It is only by steadfast and continuous co-operation between nations that the particular questions connected with economic restoration can gradually be solved.

Whilst not forgetting the importance of commercial treaties, which at present are undoubtedly the principal factor in regulating international relations, we understand that co-operation to mean permanent co-operation between economic circles; that is to say the co-operation both of those directly interested in the problem of the rational regulation of production and of those interested in the rational distribution of capital.

The basis and the chief principles of co-operation should be consolidated by permanent international organisations ; international conferences would not wholly suffice for this purpose.

We hope that the International Economic Conference will be the first step towards this international co-operation. Under the auspices of the League of Nations, this co-operation should be strengthened, either by the existing organisations of the League, or by other organisations specially set up to deal with certain international economic problems.

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**UNION OF SOUTH AFRICA**

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*Statement presented by Dr. M. H. DE KOCK,  
Member of the International Economic Conference.*

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As in many other countries, the Union of South Africa has now completely recovered from the effects of the general economic depression and is well on the road to prosperity. The depression in South Africa may be said to have begun toward the end of 1920 and to have lasted until 1924. The main reason for the prolongation of the depression in South Africa as compared with other countries in the New World was the existence of several disturbing factors which have been found to be responsible for accentuating the economic depressions in South Africa during the past 40 or 50 years. These are, firstly, the periodical recurrence of droughts, hailstorms, locust invasions, and other pests or natural disabilities with which South Africa is afflicted, and, secondly, the collapse of the diamond industry immediately a general depression sets in. In addition, the strike in the gold industry in 1922 was a further setback of no mean consequence.

However, in 1923, there were signs of a revival in trade, industry and agriculture, and by 1924 the Union had definitely turned the corner. There was an appreciable increase in imports and exports, in the industrial output and agricultural production, and in the output of the gold and diamond mines. This progress was well reflected in railway traffic and public revenue. The year 1923-24 yielded a net surplus of over £ 1,000,000 sterling on the State railways and harbours, and the year 1924-25 a further substantial surplus, while the latter year also ended with a large surplus for the Treasury. By the end of 1925 the accumulated deficits of the Union Treasury as well as of the railways and harbours had been paid off, and considerable reductions in railway rates and fares and postage rates had been made, while a few small but very obnoxious taxes were abolished. Since 1925, further surpluses have enabled the railways to reduce rates and the Treasury to redeem a substantial portion of the public debt as well as raise the exemption from income tax.

The year 1926 has proved to be a record year for mining and manufacturing, and the rapid progress in agriculture and stock-farming was only held back temporarily by a severe drought in certain sections. On the whole, the Union is in a prosperous condition and reaping the full benefits of the economic reconstruction and the increased purchasing power of Europe as well as the unbounded prosperity of America. The Union has definitely entered the extended period of prosperity which usually follows a general depression, and, in accordance with the theory of business cycles, that prosperity was hardly noticeable at first but has been growing at a steadily rising rate and is practically in full swing now. There are, of course, occasional and temporary setbacks, but the general tendency in all branches of economic activity is distinctly upward.

The Union therefore realises fully the fact that its trade and prosperity depend to a large extent on the maintenance of normal and stable economic conditions in Europe and the purchasing power resulting therefrom. The principal exports of the Union are gold, diamonds, wool, maize, hides and skins, mohair, fresh and dried fruit, wattle bark and extract, base minerals, etc., and for most of these commodities there is a very small market in South Africa. In fact, the exports in the above-mentioned cases, taken as a whole, amount generally to 75 per cent or more of the total local production. As a result of this state of affairs, a depression in Europe is almost immediately reflected in some of the principal industries in South Africa, the decline of whose purchasing power affects, in its turn, the industries producing principally for the local market. A sudden decline in our exports naturally brings about an unfavourable balance of payments, with exchange rates against us, which in due course create a more or less corresponding decline in our imports, which means, of course, a smaller market for the manufactures of Europe and renders it still more difficult for Europe to restore normal conditions.

In this way the economic interests of the various countries in the Old as well as the New World have become very closely interwoven and intertwined under modern conditions, and in consequence thereof the Union is vitally interested in the improvement, or at least the maintenance, of the present economic conditions in Europe.

In connection with the subject of overseas trade, it may be stated that, in common with most other countries in the New World, the Union is a debtor country, especially in regard to Great Britain, which has supplied most of the capital required by the Government, municipalities, companies and private individuals for the development of railways, harbours, commerce, mining, manufacturing, irrigation and land settlement, etc. Large sums of money by way of interest, dividends, profits, freight, insurance, expenditure of nationals residing or travelling abroad, etc., have to be paid in every year to Great Britain and other countries, the sum total of which is reduced to between £ 15,000,000 sterling and £ 20,000,000 sterling per annum by the importation of capital. This means, of course, that on an average the exports of the Union have to exceed the imports by such amounts in order to meet the total indebtedness of the Union. In 1926, the balance of trade in favour of the Union was only £ 12,000,000 sterling, due to a very poor maize crop and lower wool prices on the one hand and heavy imports on the other, but in 1925 it was £ 19,000,000 sterling, and during the period from 1910 to 1926 the average balance was £ 18,000,000 sterling per annum, so that the relation between the imports and exports is sound and in accordance with the general requirements of the Union.

As regards industrial development, the manufacturing industry has made relatively rapid progress since 1915. A large number of factories were established in the Union under the abnormal conditions prevailing during the war and post-war period, some of which were swept away again by the general economic depression and the intense foreign competition in the local market, especially in 1921 and 1922. The remainder have recovered from the depression and have in many cases improved and extended their capacity, while new factories have been erected in increasing numbers in recent years, largely owing to the feeling of confidence and security resulting from the revival of

trade and the policy of protection that has now been definitely brought into force and formulated on the basis of clearly defined principles.

The essential feature of this policy of protection, which provides for tariff assistance in the form of increased duties or free admission of materials for industrial purposes, is that it is to be applied with caution, moderation and discrimination, with a view to minimising the disadvantageous effects of protection in some directions and deriving the maximum benefit from its stimulus in others. Protection is to be granted only to industries which have been found, after investigation by the Board of Trade and Industries, to possess the necessary economic advantages and potentialities to enable them ultimately to meet the requirements of the Union in respect of quantity and quality at reasonable prices. On this basis, protection has been granted to a selected number of industries during the last two years, while machinery and implements, as well as other instruments of production, are admitted free of duty with a view to keeping down costs of production in the primary industries which have to compete in the world's markets, and the revenue duties on various articles which are not manufactured in the Union have been reduced as far as possible.

To sum up the position, the Union is not steering towards intense industrialism, as it is fully realised that farming is destined to be the principal economic activity of the Union and that the development of the agricultural and pastoral as well as mineral resources is to receive the first attention of the State. The development of secondary industries on a moderate scale, however, is necessary in order to secure a well-balanced economic organisation in South Africa and thereby provide an adequate livelihood to all its present inhabitants as well as offering good prospects for employment of immigrants from abroad, with a view to increasing the small European population, which seriously complicates almost every economic problem of the Union. The coloured or non-European races have an almost complete monopoly of unskilled labour and already have a fairly firm hold of the semi-skilled labour market. As a result of this, the bulk of the labour employed in the primary industries (farming and mining) consists of natives, Asiatics or mixed coloured, and it is only in the secondary industries that European labour can be employed to any considerable extent. These are special economic conditions pertaining to the Union, and it is only in consequence thereof that I am in favour of protection, provided it is on a moderate basis and discriminates between economic and uneconomic industries. Under these circumstances protection does not constitute a barrier to international trade, and as a matter of fact the imports of the Union have been steadily rising under protection.

With regard to the production of gold in South Africa, which is of special significance in relation to the world economic position, the prospects for the continuance of the present rate of production for an extended period of years are now distinctly better than was considered to be the case in Union Government circles two years ago, and much better than it is represented by Mr. Joseph Kitchin and others. Mr. Kitchin has already had to raise his former estimate of the Rand's gold output in 1925-30 by a considerable amount, and there is every reason to believe that the actual output will exceed the revised estimate by a substantial figure.

In 1924, the gold production of the Union surpassed the previous record reached in 1916; that of 1925 exceeded that of 1924, and 1926 established a new record,

while the first quarter of 1927 seems to indicate a further record output. Recently certain developments have taken place not only on the East Rand, which has been responsible for the maintenance of the gold output and even an increase in production, but also on the Central Rand and in areas outside the Rand gold region. As a result of these developments and the possibility of further developments, as well as improvements in methods and costs, the new Government Mining Engineer is very hopeful as to the Union's gold output for many years to come. The Minister of Mines and Industries said recently that there is strong evidence that the gold industry of South Africa has not yet reached its zenith, and this seems to be borne out by the continually increasing rate of production.

What the Union fears to-day is not that the demand for gold will exceed the supply thereof in the near future and bring about an appreciation of gold with the consequent fall in the world price level and a general depression in trade, industry and agriculture, as stated by several economists; but rather that the increased output of gold in South Africa, or even the maintenance of the present production, would lead to a depreciation in the value of gold and a rise in the price level, which would mean an increase in the cost of gold production and a smaller margin of profit with the consequent shortening of the life of many gold mines. This latter possibility is feared particularly on account of the fact that various means are devised with a view to economising in the use of gold as a reserve in banks. Gold is not in active circulation except in a few countries, and the gold exchange standard or modifications thereof is used on a relatively large scale. The universal establishment of central banks has aided this process tremendously. Finally, India has fortunately absorbed half or more of the Union's gold output in recent years, but there is no guarantee that India will continue to absorb gold at the same rate. She may reach a point of partial saturation, as a result of which more gold from the Union will reach the markets of Europe and America.

Summing up, it may be said that, on the principle of two opposing viewpoints striking a happy medium, the real outcome will probably be the maintenance of the present value of gold and the prevailing price level within certain limits on either side of the average mean, instead of a considerable rise or fall.

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