

U. S. USES ITS TARIFF.

It is not long since President Roosevelt intimated that there were other means of dealing with totalitarian aggression than through military action. This was clearly a reference to the known economic vulnerability of the Reich. That it was not an empty threat is evident now in the announced intention of the United States Government to impose countervailing duties amounting to 25 per cent. on the majority of imports from Germany, commencing April 23rd. The sole condition is that to avoid this action the German Government must show that exports are not subsidized under the prevailing barter system. In the course of a long report on Germany's economic situation at the turn of 1938-39, issued by the Reichs-Kredit-Gesellschaft Aktiengesellschaft, Berlin, an elaborate case was presented in defence of the German trade policy. The German methods "for compensating export losses" were represented as being at the most "a partial offset for the "serious competitive disadvantages under "which Germany labors, due to the commercial and fiscal policies of the creditor "countries and the depreciations of their "currencies." The New Plan was declared to have been beneficial but it was admitted that German commerce and commercial policy have been confronted with grave problems arising from the deterioration of world trade as a whole, the increased demand for primary materials and foodstuffs due to the rise in economic activity, and the incorporation of Austria and the Sudeten German areas.

German efforts to cultivate trade in southeastern Europe, in South America and elsewhere, found justification in this report as ensuring protection for German foreign trade against the effects of world depression and the so-called commercial offensive of the United States and Great Britain. Reference was made to the Ottawa agreement and to the more recent agreements between Great Britain and the United States and between the United States and British Empire countries. The need for supplies of raw materials and foodstuffs through importation was emphasized, Germany having a far more difficult task in this respect than that which confronts other industrial countries. The Reich has no substantial reserves of gold or foreign exchange, no foreign capital claims to cover excess imports, and no colonial Empire to supply raw materials within the framework of her own currency; her colonies were taken without compensation for investments made during the pre-war period and "she was also robbed of her other foreign investments." The German economic system, further, is burdened by a foreign debt of nearly £800 million sterling, by the special trade barriers erected by creditor countries against German finished exports, and by currency devaluations contrasting with the German currency's parity

with gold. One other paragraph in this report is particularly interesting in view of the announced intention of the United States government. The increasing urgent and growing need for imports "makes even "further efforts in the export field absolutely indispensable." Exports may be put "in the first rank of urgency within the German economic system" and . . . "it "would be fatal if the creditor countries "were to introduce new countervailing "measures for the reducing of Germany's "foreign trade."

In a report to the Canadian Department of Trade and Commerce, Mr. J. C. MacGillivray, Trade Commissioner at Berlin, speaks of the "evidence of severe strain which is "now becoming more apparent in German "economic life." With an excess of imports over exports it is difficult to secure an adequate supply of raw materials. Furthermore, nearly 50 per cent. of the national income goes to rearmament, the erection of factories to produce synthetic substitutes, the building of public works, and military activity. Tax collections have risen from R. M. 6,650,000,000 in the fiscal year 1932-3 to an estimated total of R. M. 18,000,000,000 in the current fiscal year while the Reich's debt has increased by R. M. 25,680,000,000 and the entire public indebtedness is believed to have been doubled in the past six years. As a matter of some importance in connection with possible economic action such as the United States is taking it may be mentioned that according to Mr. MacGillivray's report Germany has become one of the leading importers of Canadian export merchandise, having bought Canadian products to a total of R. M. 72,789,000,000 in 1938, the R. M. being equivalent to a little over 40 cents. This total of last year's German purchases represented an increase of more than 60 per cent. as compared with 1937 and the figure does not include Canadian merchandise entering the Reich indirectly. German exports to this country in 1938 fell from R. M. 33,400,000 to R. M. 25,372,000, indicating an urgent need for such products as cereals and other foodstuffs, lumber, animal products, ores and minerals etc., without regard to the question of trade balance. On the whole it does seem that very serious injury can be done to the Reich through trade channels.

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