THE ANNOUNCEMENT was made a few days ago that $100,000,000 will be available in the first three months of this year to purchase abroad raw materials and supplies for the Bizonal Area of Germany. The German Economic Administration is now engaged in preparing the detailed list of the commodities which are to be brought in to support the revival of industry in the Bizonal Area and a further list to provide the consumers goods which are so badly needed by the population.

Before the war, the supply from abroad of cotton, wool, copper, tin, rubber and oil was taken for granted. They were necessary for the economic life of Germany. Similarly, the foodstuffs needed to supplement the inadequate food supply of Germany were imported. Germany manufactured and sold abroad the products of her industry, and used the foreign exchange so secured to pay for the essential food and materials which were not available here.

When the war ended, this flow of imported foods and materials ceased almost completely. Germany had no foreign exchange, and her damaged and disrupted industries were in no position to meet minimum domestic requirements, much less to provide the export goods which would produce new foreign exchange.

The United States and United Kingdom Governments, as occupying powers, were faced with an enormous economic and financial problem. The German people of their zones would literally starve to death if foreign exchange were not made available to buy abroad the food needed to supplement the agricultural production of the Bizonal Area. The two governments did not hesitate—they provided from their own funds the money needed to buy food for Germany.

And these have been enormous sums indeed, $295,500,000 in 1945 and 1946, $516,412,500 in 1947, and the forecast for 1948 is $750,000,000. You might well have thought that the two governments would have made every effort to repay themselves for these great outlays by selling German goods abroad and using the resulting foreign exchange to reduce the German indebtedness to them.

But they did not do so. On the contrary, neither the US nor the UK Government has any intention of asking for any repayment of these enormous advances for at least four or five years to come. Instead, the foreign exchange proceeds of German exports have been entirely set aside to be used to pay for those other imports without which Germany cannot live—the cotton, the wool, the copper and the oil. None of these funds have been withdrawn in order to pay for food. It is not planned or expected that any such withdrawals will be made in 1948.

These funds have been jealously guarded. They are the life blood of German industry, not to be used thoughtlessly or unproductively. The wisdom of this policy is apparent today when the sum of $100,000,000 is to be spent in the next three months in buying those materials which the German bizonal economic authorities consider of fundamental importance to the German economy. Additional tens of millions will be available every month thereafter.

It is important that everyone recognize the significance of this fact—that German exports produce the foreign exchange to be spent on materials and supplies selected by the German Economic Administration to speed the recovery of German industry and to supply the everyday needs of the German people of the Bizonal Area.

This is a process which rapidly multiplies its profits. Cynical remarks have been heard that exports merely subtract from the goods available to the German people. The contrary is the case. One hundred million dollars of imports, when manufactured into finished goods produces many hundreds of millions for the German people and for further exports to keep the process expanding.

The greater the exports, so much greater are the imports, and production and the standard of living rise together. Exports, in this way, will raise the standard of living much further and faster than if the export goods were consumed in Germany.

Any German worker, any German manufacturer of the Bizonal Area who by his work or his development of export opportunities, increases the flow of exports, makes possible the
many-fold increased flow of imports without which no recovery is possible.

This, of course, is in addition to the direct incentive which has been given to employees and workers in export lines, whereby the manufacturer is permitted to use five percent of the export foreign exchange proceeds for imports required by his own business, and another five percent is set aside for the import of goods for the workers in exporting companies.

The success of this import program for materials is in German hands. If the German Economic Administration makes a wise choice of the materials to be imported, and the uses to which they are to be put, the program cannot fail. The Joint Import-Export Agency of the US/UK Military Governments exists for one purpose—o assist in overcoming the difficult problems of communications, representation, procurement and sales, and will turn over to German hands as rapidly as possible the responsibility for the foreign trade of Germany.

It has been suggested that if German authorities had been permitted to use the funds provided by the US and UK Governments for the purchase of food, more and better quality foods would be available on German rations. If there were the remotest possibility that this were true, Military Government would be only too happy to turn over to German authorities the problem of finding in a world which is crying for bread, enough food to keep the Germans alive.

Only the fact that the US and UK Governments plead the case of Germany before the international food allocation boards has made it possible to buy abroad the grain, flour, fats, sugar, pulses—4,334,352 tons in 1947—which the Germans are eating today.

The German import program is thus a very simple one—Military Government finds the food in the world and provides the money with which to buy it. The Germans on their side must provide the exports to pay for the raw materials, which the Bizonal Area requires for its recovery and rapid rehabilitation. The Germans have $100,000,000 as a starter, and unlimited possibilities for increasing this amount. Their recovery and their well being are in their own hands.

Hans Schneider (left), telegraph chief, receives a CARE package from Walter Fritzche, chief news editor of DENA in the Bad Nauheim office.

(Photo by Glyn, DENA)

Twenty-five CARE packages, donated by the American Newspaper Guild for German employees of DENA, US-licensed German news agency, were distributed recently at its headquarters in Bad Nauheim, Hesse. The shipment was the first of several expected from the Guild during the coming months. The Guild has reported it has already started 80 packages toward Germany, in addition to several large sacks of rice.

The gifts are the result of donations to a campaign sponsored by the Guild’s publication, “The Guild Reporter,” to assist needy DENA employees with food and clothing. It began when William Tisdle of the Boston Globe, a former DENA press control officer in Munich, appealed to guildsmen to aid DENA’s journalists through the winter.

According to Wilbur Bade, editor of “The Guild Reporter,” the campaign will continue several months. Indications were that several DENA editors and reporters will also be “adopted” by local Guild chapters in the United States. Worn clothing and office supplies will also be sent the agency, Bade advised.

The Guild recently sent 20 CARE packages to Austrian journalists and arranged for “adoption” of 12 of their number.

Publications Serve DP’s

Displaced Persons in the US Zone of Germany are served by 30 regularly-published newspapers and 36 magazines, written, edited and prepared by DP staffs, EUCOM Headquarters announced.

Most of the newspapers are printed by German establishments. Approximately 127,000 copies are published regularly, the majority of them once a week.

Authorization to publish a newspaper or magazine is granted by EUCOM Headquarters, Civil Affairs Division, and newsprint is provided by IRO.
Black Market

It went beyond the directive of the Bipartite Economic Panel which merely demanded the prosecution of “illegal compensation transactions” without defining such transactions. It did not have the effect, however, of cancelling the two invitations of the Bipartite Economic Group to German governmental agencies to develop acceptable ways of regulating compensating trade.

However, the Hessian Land high court in Frankfurt on Nov. 28 reversed the decision of the Kassel court and declared that under certain conditions compensation transactions were lawful. These decisions are now under legal study to develop a uniform policy.

In the second action the Bipartite group offered to give “sympathetic attention to the possibility of approving the principle of compensation trading” as soon as (a) a uniform flow-back rationing system was instituted for rubber, textiles, leather, paper and other basic commodities, and (b) a uniform system and an adequate inspection were set up to cover the flow of goods.

Since mid-summer, when the two compensation trade proposals submitted by the Bizonal Executive Council for Economics were rejected by the Bipartite Economic Group, the bizonal German authorities have not formally dealt with the problem of compensation trade. This inaction reflected fear that a new proposal might be rejected again by the bizonal authorities and that a production crisis might be caused by a renewed and possibly more rigid prohibition of compensation trade.

Meanwhile, the Kassel trial pointed out that it was a law rather than a new administrative directive that had to be provided to cope with this matter, and the new German Economic Council for the Bizonal Area was the proper agency to provide such a law.

At year-end, however, no bill had been brought before the Economic Council specifically to amend or replace the prohibition of compensation trade contained in the War Economy Ordinance.

The allied Control Authority law, the Military Government directives, and the court decisions have affected conditions in the various Länder of the US Zone in different ways.

In Wuerttemberg-Baden, the Economics Ministry took the position that the prohibition of compensation trade is complete, at least for all trade within the Bizonal Area; but it attempts to press compensation transactions with the French and Soviet Zones into official, intergovernmental channels. Meanwhile all applications of manufacturers for permission to compensate are refused; but no measures are taken to prevent the trades.

The Bavarian Ministry of Economics withdrew the compensation quotas by which enterprises had been able to dispose freely of certain percentages of their output. However, a new system of quotas was prepared in the ministry and put into force on Nov. 7. The new ordinance does not provide for any over-all compensation quotas valid for all producers in an industry. Instead, permission for each individual compensation transaction is to be obtained from the local economic offices.

The Land Economic Office does not control the issuance of the permits; but it is to receive monthly reports of transactions approved by the local offices. Only interzonal compensation transactions are subject to approval by the Land authorities. There is no intention to interfere with the compensation ratios arranged between the parties to a compensation deal.

The Applications may be approved by the local economic offices within limits set for producers in a certain industry, provided that the transactions do not involve foodstuffs, coal from other sources than allotments to the mines for their own consumption, or raw materials allocated to the applicant. Trading firms are not eligible. The firms are to report every month to the local economic office on the transactions carried out under their permits.

The procurement of necessary raw materials and parts and of goods for use of workers is expected to be covered by these limits. A special directive of the Bavarian Ministry of Economics of Nov. 17 empowers the local economic offices to approve distribution of consumer goods to the workers “if necessary to maintain the performance of the workers.”

Distribution of foodstuffs, raw materials, and production equipment is excluded; but the firms may obtain consumer goods for this purpose.

The first mass-production passenger car (above) to be turned out by the Opel corporation since the end of the war rolled off the assembly line at Russelsheim, Hesse, recently. The car is a two-door battleship gray four-cylinder Olympia. It was described by Maj. Leo Mandell, Hesse MG export-import director, as the first of a “long line of cars to be sold both for export and for essential German use.”