Review of JEIA
— Progress of Two and A Half Years

By WILLIAM JOHN LOGAN

IT IS APPARENT to all Germans that in the last two and a half years there has been a tremendous change in the living standards and the general economic conditions of Western Germany. They eat better and have more clothes, their shops are stocked with useful goods which can be bought with the money they earn.

There are many factors involved in this improvement, not the least important of which is foreign trade, which it was the mission of the Joint Export-Import Agency to rebuild and revitalize as rapidly as feasible. I would like to review some of the accomplishments toward reestablishing the German exporter and importer in world markets.

First, I want to point out why foreign trade is so important. An industrial country, Germany always was one of the biggest traders in international commerce. The Germans always had to buy from other countries a large percentage of their raw materials—the food they eat, the cotton and wool for their clothing, the leather for their shoes.

Today, without their agricultural east they must buy more than ever. And in order to buy they must earn foreign exchange by making and selling their high quality machinery, their renowned cameras and famous beers. It is not an exaggeration to say that Germany's entire economy revolved around its foreign trade.

AFTER THE WAR, German exporters and importers were in an economic vacuum. They could not use international mails, telephones or telegraphs, and had no international bank facilities. They had little or no knowledge of recent developments in styling, pricing or merchandising of consumer goods in other countries. Before they could export, they were subject to a long routine of filing certificates, filling out forms, obtaining approval from several sources. To import was almost an impossibility.

Most of the business controls were necessary, but they restricted trade nevertheless. The first thing JEIA turned its attention to was the procurement of raw materials required for export goods. JEIA established a purchasing branch to secure industrial imports for the domestic economy and for the manufacture of export products.

As imports rolled in and as German recovery progressed, lifting of restrictions was possible. To permit German importers to resume normal operations as quickly as possible, various controls were eliminated or loosened. This process culminated last February with the formation of a group known as the Import Advisory Committee, composed of representatives of Allied and German economic agencies. The committee allots funds for purchases from foreign countries. From then on the importer is free to make his own negotiations.

INDUSTRIAL IMPORTS are now arriving at the rate of $1,950,000,000 per year, compared to $417,000,000 for 1948, and $36,000,000 for 1947. These imports, which do not include ERP materials or other materials from appropriated funds of the Allied governments, were all paid for by the proceeds of exports, and could be purchased therefore only by virtue of increased exports.

In the field of exports, an even wider relaxation and elimination of controls has taken place, climaxcd in December 1948 by an entirely new export procedure. This procedure reduced to a minimum the amount of documentation required and permitted the German exporter to export all but a few restricted items without prior clearance from MG or German government trade offices. Export agreements, contracts or orders are now negotiated in accordance with the customs of the trade.

Here too, phenomenal gains have been achieved. Exports are now being shipped at the rate of $1,356,000,000 a year. In 1947, they amounted to $225,000,000.

IN THE MEANTIME, two international developments made possible and stimulated these increases in foreign trade. First, the German banking system was re-established to such an extent that it could again assume international trade functions.

Secondly, currency reform so increased the value of the German currency that the German's interest was turned from hoarding goods to earning Deutsche marks, and it was possible to abolish special bonuses for business men and workers in export industries. One, important factor in foreign trade is a quick and efficient means of communication. At war's end, the German businessman was completely cut off from the outside world. Military Government succeeded in opening direct telephone, telegraph and mail service with nearly every country in the world.

In the field of shipping, JEIA lifted most controls or delegated them to German authorities. German firms now charter non-German vessels to carry import cargoes and German (Continued on next page)
ships may travel anywhere in the world.

To further restore normal trade, JEIA in the last year and a half eliminated other controls, so that German firms may procure foreign newspapers, trade publications and other periodicals, employ foreign agents and attorneys abroad and join international trade organizations. It is now possible for Germans to file patent, copyright and trademark applications in 33 foreign countries.

Restrictions on travel of German business men abroad and entry of foreign business men into Germany have been broadly liberalized to permit ready contact between buyer and seller.

IN PREWAR YEARS, a valuable source of foreign exchange for Germany was the tourist business. To exploit this invisible export, JEIA started in 1948 licensing hotels to serve foreign business men. Today all hotels in the three western zones are open to foreign visitors. Arrangements have been made to permit tourists to purchase Deutsche marks with their national currencies.

A word about trade agreements. Today, we have agreements with 28 countries, totaling $2,500,000,000.

When we talk about trade agreements, we must understand that there is nothing restrictive in these bilateral arrangements. They represent a floor and not a ceiling for trade. In general, there are two major objectives:

1. To secure agreements from the other country to grant import licenses for the largest possible amount and variety of German goods.

2. To get agreement from the other country to grant export licenses for commodities which Germany needs.

UNTIL RECENTLY every trade agreement stipulated lists of commodities required by both sides, and committed each government to authorize export and import licenses for their delivery.

In recent weeks we have concluded two agreements—one with Switzerland and the other with the Netherlands—which mark a great step forward towards the goal of free trade. These agreements have eliminated almost entirely quantitative restrictions on commodities. This freedom from the restrictions of import quotas is the first break among OEEC countries with the system of controlled commodity trade which has made inter-European trading difficult.

These are some of the things JEIA has done to promote German foreign trade. German exporters and importers even today find that doing business with foreign countries is considerably easier than in prewar days. And, except for two other countries, there are less forms, applications and documents incident to foreign business, required in Germany than in the other nations of Europe.

The Joint Export-Import Agency, as an operational group, will cease to function soon. A small staff will remain to complete certain outstanding contracts, to close the branch offices and to perform other liquidation tasks.

UNDER THE High Commission, a policy group will act as advisers on foreign trade. Although foreign trade is a “reserved power” under the Occupation Statute, chief responsibility for actual operation of export and import matters will now fall on the newly-constituted German government.

With Germany’s exports paying for more than two-thirds of its imports, and exports continuing to rise, self-sufficiency would be in sight but for one item, and that is dollar exchange. Tourist traffic and exports to the United States must be increased, if the items imported to Germany today by ECA are to be paid for by the Germans when Marshall aid stops.

In view of the great progress already made when trade was under the control of the JEIA, I am sure that the Germans with their great ingenuity, resourcefulness and energy will solve this last remaining problem, when its operation is in their own hands and under their own control. All of us in Military Government wish them every success.

Flax Imports Worry Growers

Imports of flax from Belgium and the Netherlands are such that there is a tendency to supplant rather than to supplement domestic production, which is causing concern among flax growers and retters.