GERMAN INDUSTRY has made great strides in the past few months. The persons who work on the ERP don’t take credit for that. A number of other very important factors influenced that rise in industrial production. But it is clear that the psychological effect of the Marshall Plan did much to encourage those satisfactory trends.

Our first problem was to get to Germany enough food to keep the workers adequately fed. By Dec. 17, the last figures now available, roughly $202,000,000 worth of food and agricultural items had been programmed, of which about $99,000,000 worth had already been delivered. A great flow of Marshall Plan goods has poured into German ports in the last few weeks, and I am reasonably confident that almost half of the programmed deliveries have actually been accomplished.

The picture is considerably brighter today in the matter of industrial goods. The pipeline which was somewhat slow in getting started, is now filling, and the next two or three months should produce tangible evidence of raw materials and equipment for industrial use. Our latest figures, again as of the middle of December, show that some 45 percent of those goods programmed for the Bizon have actually been contracted for and are now in the process either of being manufactured or of being shipped to Germany.

As far as western Germany is concerned, the most outstanding accomplishment of the Marshall Plan has been the acceptance of Germany as an integral part of the western European concert. Under the auspices of both ERP and agencies of Military Government, trade agreements have been worked out with some 21 other nations. Negotiations with other countries are now in progress. The Bizon and the French Zone are fully represented in the councils of the Organization for European Economic Cooperation (OEEC). They have become members of the Intra-European Payments Plan. In short, Germany is being called upon to do its share for the recovery of Europe as a whole.

The extent to which the Bizon is re-integrating itself with the economy of Europe can best be noted by the expected rise in bizonal contributions to the Intra-European Payments scheme. It is estimated that in 1949-50 its contribution will be about $45,300,000 as against the $10,200,000 programmed for 1948-49. Over the long run it is hoped that Bizon surpluses with non-sterling participation countries will be used to meet an almost identical deficit with the dollar and sterling areas.

Owing to a somewhat slower recovery in the French Zone, its balance of payment account does not appear as satisfactory as that of the Bizon, and a dollar deficit is almost certain to occur in 1949-50. A balance should come at a later stage after raw materials have been made available in more adequate quantities and the investment program has had time to take effect.

WE SHOULD not delude ourselves into thinking that the goals of the long-term program—that is, achieving viability by 1953, can be achieved or even approached without the strongest efforts on the part of the Germans themselves. The recent report of Secretary-General Robert Marjolin of the OEEC on the long-term program indicates that the whole of Europe, indeed, by the most determined efforts will, as far as can be foreseen, still fall some $3,000,000,000 short of balancing its trade by the end of the long-term program. Germany is no different from the other countries. What lies before Germany is the necessity to carry on an arduous export program and at the same time limiting domestic consumption to the barest minimum.

German imports should as much as possible be limited to the necessary food imports, capital equipment and raw materials for use in the manufacture of finished or semi-finished goods. It is only through such manufacture that Germany, standing on its own economic feet, could pay for its essential purchases of food stuffs.

Germany must export more. Its greatest exportable commodity today is coal, and while total production shows encouraging progress, the total production per man shift is still below what it should be. Many excuses have been offered for this low figure. It is my earnest conviction that the main remedy lies in the efforts of the Germans themselves.

Germany must increase its output of electrical energy. It should become a part of a European grid system. Its brown coal must contribute to this venture. The production of semi-finished goods, precision instruments and machinery for which Germany has always been so famous must form the backbone of the export effort. Germany must catch up with the rest of the world in industrial techniques and must seek to recapture its markets lost before and during the war.

ONE OF THE major problems facing Germany in whatever export program it undertakes is that of actually selling the goods. Competitors have arisen in markets which were once exclusively German. New inventions and discoveries have made obsolete some of the very products through which Germany once held world preeminence. In the recovery program, restoration of manufacturing (Continued on page 27)