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German Trade with Neutrals

Thanks to Allied naval power, success continues to crown the work of the Allied Contraband Control. Figures just issued show that since the beginning of the war well over half a million tons of contraband suspected of being destined for the enemy have been intercepted and detained. At the same time the interests of neutrals have been carefully heeded, and vessels are being examined and released with increasing dispatch. There could be no better testimony to the progress of this important branch of the campaign against aggression than the recent announcement that the Nazi Government has worked out an elaborate scheme of "international" trade exchange which will supersede all trade, first, with Great Britain and, secondly, with oversea countries. This great continental blockade is to be based on the much-heralded potentialities of Soviet Russia, with cooperation in particular from Italy, the Scandinavian countries, and the Balkan States. WERNER DAITZ, of Lübeck, who has special knowledge of the Scandinavian countries, has been appointed leader of this movement. From such details of the plan as have been made known it may be assumed that Germany, Russia, Italy, and the Scandinavian, Balkan, and some neutral States on the one hand are to furnish one another with all the goods formerly obtainable from Great Britain and oversea countries, while on the other hand they are to consume among themselves all those goods which they formerly sold to the United Kingdom and the oversea group. But one essential condition of success appears to be overlooked: the scheme must be self-sufficient and self-supporting. This it can never be, if only for the reason that a number of highly important commodities, notably cotton, tin, copper, rubber, and petrol, are not procurable in sufficient quantity. They must be obtained outside the *bloc*, and thus the *bloc's* main purpose fails. At the same time the *bloc* countries would be unable to absorb all the timber they produce and would therefore have to solicit outside custom for it.

Several other questions arise. Do neutrals need help of this kind from Germany? Would any country other than Germany benefit? Can such a scheme be founded mainly on the resources of Soviet Russia? The answers are not far to seek. The help neutrals would prefer to receive from the Reich is that the U-boats should cease to sink their ships. Persuasion by duress can hardly be an augury of a pleasant business partnership. Again, the Allies have so improved and accelerated their methods of contraband control that the delays and inconvenience inevitable during war have been greatly reduced. In one of the leading branches of British trade with the Scandinavian countries, namely coal, supply is rapidly becoming normal again. Meanwhile German coal exports have been dwindling since 1937, and, if they are now increased, supplies must be curtailed to a number of industries which have been created at great expense to meet present needs. Whether any of the countries cooperating with Germany would benefit by the plan depends chiefly on the capacity of the Reich to pay for the increased supplies which she sorely needs. Her reserves of gold and foreign exchange, even if bolstered by the blood-money of repatriation, cannot long stand the strain of an adverse balance of trade. Admittedly she can still to some extent pay in goods, and, as her preparations for war were in a very advanced stage, she is at present in a position to direct some of her labour force to the export industries. She claims to be able to spare potash, chemicals, aluminium, magnesium, pig-iron, and machinery, but it is doubtful whether she can continue to find an export surplus of all these goods. Neutral countries are already complaining of poor quality and delayed delivery.

If British goods could be obtained by neutrals they would be readily bought. But in the countries of South-Eastern Europe a prerequisite is the purchase by Great Britain of more of their produce. The Ministry of Economic Warfare is no doubt fully aware of this. One difficulty, clearly, is the limited market in the United Kingdom for Balkan and Turkish tobacco. No doubt if the troops were to acquire a taste for a small admixture of these tobaccos in their cigarettes it would help to thwart Nazi commercial penetration in South-Eastern Europe. Past experience which the Balkan countries have had of barter and compensation arrangements with the Reich has made them realize the inconvenience and danger of this system, which tends to tie their economy to that of Germany. They would prefer, and so probably would most neutrals, to extend their commercial relations with free exchange countries, from which they could be sure of receiving real value for their merchandise. As for the resources of Soviet Russia, there have been many reports of developing production of metals of nearly every kind, but few statistics of increasing export surplus are yet available. On the other hand domestic requirements in many instances are believed to be expanding as rapidly as output. Moreover the signature of a contract for

Russian produce does not complete the transaction; transport has to be arranged, often over great distances, and railways and waterways in Russia and Germany are already congested. There does not seem, therefore, much in the notion of a continental *bloc* which would appeal to neutral nations; but the project should serve as a warning to Great Britain to resume export activities with all speed.

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