From the London End

BRITISH EXPORTS FACING GERMAN COMPETITION

ANSWERING a question in the Commons about the increasing threat of German competition in the international market, Mr. Bevin solemnly called upon the House to draw "a sharp distinction____between competition and unfair competition/' Having delivered himself of this pontifical homily, he passed the ball to the President of the Board of Trade. One would have thought that the ardent free enterprise stalwarts in the House would have jumped on Mr. Bevin for laying down the norms of competitive behaviour. But not a word was said; if German exports were selling at lower prices than British exports in what every Britisher had always considered as the "British'* export markets, it was of course *unfair* competition—and even Bevin can say so!

That explains why Mr. Wilson had an easy time of it. He did not have to suggest that there may be some cranks who think that the picture would appear differently from the other side of the Channel; he did not have to! It appeared as if there was a tacit agreement about the unimportance of the subsidiary question, unfair to whom?

For, even though it was said that unfair trading practices like those followed by Nazi Germany under the guidance of Dr, Schacht should be prevented from developing, none could aver that such a development had in fact taken place. All that had happened was that in certain fields Germany was in a better position than her competitors because of two factors. Firstly, the exchange rate between the Reichsmark and the dollar had been favourable to exporters, till it was raised last summer. Secondly, the relatively low money wages in the Ruhr and elsewhere gave German producers a cost advantage.

The exchange advantage has been something like a legacy,—for in quite a few cases, it is likely to be a temporary factor. Prior to the currency reform last summer the mark exchanged at 17 cents, and some of the contracts made at that time are being fulfilled now. An example of this, which Mr. Wilson dwelt upon at considerable length, was the German Volkswagen or peoples' car which was selling in the European market for a little under £350 retail. The present rate of exchange of 30 cents to the mark would almost double this—wiping out the price advantage, unless German cost of production underwent a spectacular change in some way. But even with the revised rate, it is thought that British exporters will have to face considerable competition in chemicals, certain types of machinery, heavy engireering and electrical equipment and scientific instruments—mainly because German manufacturers in these fields have a long standing reputation; and even if their prices were no lower than prices quoted by others, they would find a ready market. It is this possibility more than the Volkswagen which has created a sort of panic amongst traders and manufacturers here.

The problem is, from the point of view of the U.K., one which bristles with difficulties. For one thing, to scotch development of German industries because of this treat would be to render impossible the establishment of a viable economy in that country—perhaps in Western Europe. It would not merely jeopardise the grandiose plans of the O.E.E.C. but also continue to inflict a direct burden on the British tax payer. For occupation of Germany, including the Berlin air lift, is estimated nearly £35 million for 1948-49. And the burden would certainly not diminish unless the economy of the country was restored. Secondly, it is only the development of certain industries that cause panic amongst British manufacturers; but if the British Government sought to remedy this, other Allied powers cannot be prevented from picking out industries which, from their point of view; could equally be a menace and there would be no end of trouble.

This is really the crux of the matter. For the occupying countries naturally look upon a revivified German economy as complimentary to their own economies; but the whole history of German economic development goes against this. The German economy has been built all along the line with a view to driving others out of the market,—mainly the market for capital goods. To efface this pattern and put another instead would be difficult even for the U.S.A. because it is not just a question of changing the type of machinery and equipment which is worked by some abstraction called "labour". The intense feeling of pride which the average German worker has in the huge factories of Essen and Dusseldorf and elsewhere has led to considerable friction in the dismantling of plant as part of reparations. With the people in such a mood, it would certainly be foolish to attempt to graft an entirely different type of industrial pattern in the Ruhr.

The other factor which has contributed to increased competing power of Germany today is the level of money wages. Largely as an anti-inflationary measure, wage increases were strictly eontrolled till last summer. An increase of about 15 per cent has since occurred, bat wages are, on an average, about 60 per cent of the wages in the United Kingdom. This gives German producers an advantage, even if we allow for reduced productivity per worker because of insufficient food and damaged capital equipment. British producers can only complain about this situation. Even for them, it would be absurd, to suggest that money wages should be raised by decree in occupied Germany! Nor can they argue that countries in which the wage level is lower than that in the U. K. should be kept out of the international market, because the very same arguments could be used by the U.S.A. against the U.K. However, it is possible that this wage discrepancy will be used to curb wage rises at home —in the interests of preservation of the export markets.

That, briefly, is how the matter stands. Whether these fortuitous circumstances will have any importance after the proposed Ruhr Authority takes over, is yet to be seen. But in the meanwhile, it is difficult to see how Germany could be said to have indulged in unfair competition. And unless the British exporters and the champions of free enterprise can give it that bad name, they cannot hang it. Having criticised the Labour Government all the while for resorting to strange and outlandish restrictive trade practices, they cannot just turn round and ask for stringent trade controls even for Germany. Most of them have a vested interest in the idea that competition alone can save the world, and they cannot afford to start the game of branding some competition as fair and some others as unfair. But 'why should they bother, when Mr. Bevin is willing to do it for them?

AMERICA TO SHARE WHITE MAN'S BURDEN

ALTHOUGH British history books teach school-boys to regard Cecil Rhodes as nothing less than a great national hero, they do generally admit that his period in Africa was not a very dignified and highly moral period. It is in fact usually given the quite accurate description—'The Scramble for Africa.'.

What has happened during the last week is nothing less than the inauguration of a new twentieth century 'scramble'. And it is once more for Africa. But there are differences as well as resemblances between the two 'scrambles'. For one thing it is not easy to give a date for the start of the nineteenth century affair but the history books of the future will probably find little difficulty in doing this for the present one.

The scene is a committee room of the American House of Representatives in Washington. The date is the eighth of February, 1949 and the time is the afternoon. And the inaugurator is Mr. Averell Harrimam

There is little arribiguity in Mr. Harriman's exposition. "I am increasingly impressed by the long-range importance of the development of the dependent overseas territories of the Marshall Aid countries of Europe and of the vigorous resumption of American private investment abroad. I mention these together because it seems likely that the active development of the resources in these territories could be substantially effected by American private investment and that one of the most constructive opportunities for American private investment abroad would be in the development of such resources."

This is a momentous statement, especially if we understand something of what prompts it. It has been given due publicity here in Britain but comment has been sparing. Yet this indication of new policy is significant to Britain in two ways.

First, and most obviously, it means that the 'juke-box' civilisation is moving in on the British Empire. It will be interesting to see the impact of American investment in the African colonies and to watch whether any of the conservative defenders of Empire will express uneasiness at the prospect of being pushed out of their own 'preserves'.

But more important and less obvious is the connection between this policy and the news of the break in the American boom. The urge to invest American capital overseas comes not merely from a desire to develop resources but also from the need to find 'safety valves' against a depression.

Mr. Harriman expresses this by saying that colonial investment by America will enable "new and stable cycles of trade and investment" to emerge. The key word there is "stable".

The break in the boom is not yet of serious proportion but there must be considerable anxiety both here and in Washington lest it should become so. At the moment it amounts to little more than a quite welcome fall in the cost of living. But already unemployment figures are showing marked increases. The question is whether those in America who are aware of the dangers will have the political strength to carry through the measures which are necessary to prevent the 'recession' from maturing,

The measures that are requited