

Anglo-Nazi Economic Co-operation

BY JOHN AUSTIN

ONCE BITTEN, TWICE SHY. Under popular pressure Mr. Chamberlain has been forced to pretend that appeasement is dead. Since Munich the obstacles on the royal road to the fascist domination of Europe—annexation by the threat of force—have become very much more formidable. Advance by more devious routes—unfamiliar territory to the masses—has been advised by Hitler's "Fifth Column" in London and Paris. Even Ribbentrop, apparently, concurs. The present object of the friends of Fascism is clearly to maintain Nazism in good economic health until the time is ripe for the next diplomatic or military coup. And by all accounts economic props are sorely needed. Nazi "diplomatic" triumphs of the past few months have done little to alleviate the pressing problem of raw materials for feeding the over-expanded war economy. For in the meantime, Germany's export trade has been falling away. Her wherewithal to purchase in the world's markets has been shrinking. No one is in a better position to appreciate the potential dangers of this situation than the leaders of the Federation of British Industries and the directors of the Bank of England.

Those who doubted that there is a deep bond of sympathy between the leaders of British industry and their opposite numbers of the Germany of to-day, and the even greater number who refused to believe that the two groups could have any wide affinity of interests, received a shock when the first really hard news of collaboration reached the eyes and ears of the public. The timing of the announcement—characteristic of the singleness of purpose and the superb self-confidence of the British ruling class—was appallingly bad. On the day that Hitler's troops marched into Prague, the F.B.I. announced that its delegation to the conference at Düsseldorf had concluded a draft agreement on co-operation in the export trade with the Reichsgruppe-industrie, the Nazi counterpart of the F.B.I. In the atmosphere of rising public indignation directed against Nazi aggression, the announcement naturally created a storm. Four days later Halifax was forced to state that British Government intervention—necessary to ratify the projected agreement—"had to be and must be indefinitely postponed." The word "postponed" was highly significant and uneasiness was enhanced by the determined attitude of the F.B.I. The *Financial News* wrote:

The F.B.I. shows no sign of cancelling the agreement, nor does it

seem to be in any way affected by the events of the past week. In essence, therefore, the talks are still on, and while the agreement remains undenounced, there is no guarantee that it will not be ultimately translated into fact. (March 21, 1939).

Two days later the Prime Minister raised suspicions to a new height by declaring :

I wish to make it clear, however, that there is no desire on the part of H.M. Government to stand in the way of any reasonable efforts on the part of Germany to expand her export trade. On the contrary, we were on the point of discussing in the most friendly way the possibility of trade arrangements which would have benefited both countries when the events took place which, for the time being at any rate, put a stop to those discussions.

By way of contrast the United States Government expressed its condemnation of Nazi aggression in the most practical and unequivocal way possible by choosing this moment to impose a special 25 per cent. anti-dumping duty on German goods to offset the bounty paid to exporters by the German Government.

The full text of the agreement—published with an air of pride and delight by the F.B.I. on the very day of Halifax's "postponement" speech—throws a glaring light on the closeness of relations between British and Nazi big business. It takes for granted, as the most natural thing in the world, that the industrialists of the two countries should arrange with their respective governments for the joint exploitation of the world's markets. With touching solicitude for the difficulties of the German partners, busily building up one of the most formidable war machines for aggression the world has ever known, it recognises that one of the main objects of export trade is "to provide a volume of foreign currency sufficient for their economic (sic) needs." It harps constantly upon the necessity of eliminating competition and states that the aim "is to secure as complete co-operation as possible throughout the industrial structure of their respective countries"—which can only mean that the F.B.I. has now openly declared that its aim is the Nazification of Britain. The kernel of the proposed deal, however, is revealed in clause 8 which, with the democratic United States firmly in mind, recognises that a specific trade deal might go awry if "some other country" refuses to become a party to it. In that case, the line is clear :

In such circumstances it may be necessary for the organisations to obtain the help of their Governments, and the two organisations agree to collaborate in seeking that help.

In short, the F.B.I. contemplates the use of the British taxpayers' money to drive America out of overseas markets for the benefit of Nazi Germany. The Düsseldorf agreement was certainly a breach of the spirit, if not of the letter, of the Anglo-American Trade Agreement, which was so bitterly opposed by sections of the F.B.I. and which was concluded with so much ballyhoo only a few weeks previously.

Given the situation it is probably the frankest and most cynical

document of its kind ever drawn up. It is, in fact, the Appeasement Charter, for not only does it define the main aims of the appeasers in some detail but it reveals the whole economic—as opposed to the strictly political—case for collaboration with the Nazis. The prospect of a strengthening of British trade in (particularly) South America and the Far East with German help, at the expense of the Americans, is a pleasant one. Dreams of an Anglo-German world trade domination, which have been harboured for years in both countries by the more far-seeing industrialists and bankers, were on the verge of realisation. No wonder the F.B.I. were proud of their agreement !

Against the background of the Düsseldorf deal, the reasons for the Chamberlain Government's policy in the Balkans, for the Czech gold scandal and for the generosity with which bankers and industrialists are apparently prepared to treat Franco, stand out in sharp relief.

Procrastination has been the keynote of British handling of the urgent Balkan problem. Roumania is a case in point. Prompt action by Britain on the requisite scale could have snatched Roumania safely out of the closing Nazi economic stranglehold at any time since Munich. Probably it could still be done fairly easily, for the Roumanians themselves are past masters at the art of procrastination and have thus been politely delaying the work of the swarm of Hitler's envoys who are trying to hustle them into signing away control over every economic activity. Even the most partial Chamberlain supporter in the City, however, does not claim that the Anglo-Roumanian agreement is likely to stand in Hitler's way. A paltry £5 million credit, mainly for the purchase of arms—which in the event of war may well be used by Hitler rather than against him—and the agreement to purchase up to 200,000 tons of Roumanian wheat from the next harvest, if available at world prices, certainly will not put a spoke in the Nazi wheel. Yet the requirements, if Roumania is to be saved from becoming a complete economic—and therefore political—vassal of Germany, are clear and simple.

The Nazi aim is to make Roumania part of Germany's Green Belt in the Balkans—a reservoir for her raw material needs, grain, oil, metals. Always commanding a dominating position in Roumania's foreign trade, Germany's hold has been strengthened in recent years by all the devices of financial trickery and duress emanating from the fertile brain of Dr. Schacht. One of the fundamental principles of the Schacht policy was to tie up the victim by making his agricultural community utterly dependent upon Germany for the sale of its produce. By paying high prices for farm products Germany has won the goodwill of landowner and peasant and has shifted the cost onto the industrialist and town worker. Starved of capital and forced to take in exchange for wheat and oil only those goods which Germany chooses to send, Roumania is denied the requisites for industrialisation which her rapidly increasing population demands and without which the already low standard of living is being forced lower and lower. It is absolutely

essential, if Roumania is not to fall completely into the economic and political domination of the Nazis that she should be supplied with free exchange to purchase the capital goods she needs from Britain, France and America. And this would be the easiest thing for Britain to supply—if she had the will. Not the slightest difficulty was experienced by the Chamberlain Government in extending to Turkey—a very different political proposition—a credit of not only £6 millions for arms purchases but also an additional £10 millions for the purchase of capital goods in this country although Germany has as much justification for claiming Turkey as her economic satellite. And the early addition to these Turkish credits of a further large sum is freely rumoured. Turkey, however, stands at the cross-roads on the route to the East. Until it is quite certain which way the Fascist cat is going to jump His Majesty's Imperial Government can hardly allow this important cross-roads to come under the domination of the axis, nor can the Nazis claim with any reasonableness that their primary aim in Turkey is to bring her into their Green Belt.

Despite considerable pressure and a constant reiteration of the facts behind the urgent need, the British Government has steadfastly refused to take any effective steps to rescue Roumania. It is quite clear that in the circumstances hardly any amount of credit for arms would be of the slightest use. All the other provisions of the much-boasted Anglo-Roumanian trade pact are riddled with holes including the ridiculous promise to buy 200,000 tons of wheat, *if available at world prices*. The whole essence of Roumania's difficulty is that as Germany is willing to pay prices higher than world prices, including the Roumanian export subsidy, Roumanian wheat cannot be "available at world prices." The Chamberlain Government has no intention of placing Roumania, nor any of the other Balkan countries, in a position to resist German domination. With characteristic frankness the F.B.I. as recently as mid-May gave an admirable statement of the big business view in its quarterly bulletin. With that warm appreciation of Nazi difficulties which was characteristic of the Düsseldorf agreement, the review points out that Germany obtained no relief from her immediate economic troubles by her annexations of Austria and Czechoslovakia, that her crying need is still for raw materials rather than manufactures, and it enters a plea for the formation of "complementary economic units in Central and South-Eastern Europe." It goes on to complain of the "multiplicity of independent nationalities" and suggests that a good solution would be for the states of South-Eastern Europe "to forego a sufficient measure of national liberty" to make complementary economic union with Germany possible. There can be no doubt that the F.B.I., at any rate, is clinging firmly to the principles of the Appeasement Charter.

That the Bank of England and the "National" Government adhere to the same set of principles is equally clear from their behaviour over

the Czech assets held in London. Immediately after the invasion of Prague, the "National" Government was forced to bow to popular demand and pass the Czechoslovakia (Banking Accounts Restriction) Act blocking all Czech balances held in this country and apparently designed to ensure (1) that the Nazis should not get at least that part of the booty domiciled here (as they succeeded in doing after the Anschluss) and (2) that there should be something to satisfy British creditors of Czechoslovakia. It is now apparent that the passing of the Act, like Chamberlain's Birmingham speech, was pure camouflage.

On Friday, May 19, several London dailies carried the report that the German authorities had obtained control of Czech gold, amounting to about £6 millions, which represented that portion of the assets of the Czech National Bank held in London in the name of the Bank for International Settlements, and that German delegates were in London negotiating for the transfer of the balance of the London Czech assets. On the same day Chamberlain stated in the House that "the whole story is a mare's nest." This was a plain untruth, for on the following Monday, the newspapers having stuck to their guns, he was forced to admit under a fire of questions and cross-questions, that the report was true except for unimportant detail: the gold had been handed over and "informal talks" had been going on with regard to the other blocked Czech assets. In the subsequent Parliamentary battle between the Front Bench and members of all parties trying to get at the truth of the matter, Simon's wriggings, evasions and contortions were highly reminiscent of the Cabinet's behaviour over non-intervention and German and Italian participation in the Spanish war. First, he pleaded he knew nothing—officially or unofficially—of either the Czech gold, the workings of the B.I.S., or the close connection of its Executive Committee with the Bank of England through Norman and Niemeyer. Information from Paris that the French directors of the B.I.S. had strongly protested against the proposal to hand over the gold—when it was first raised a few days after the Hitler invasion of Czechoslovakia—and that Norman and Niemeyer had supported the Nazis and the pro-Nazi B.I.S. president, Beyer, against their French colleagues, leading to representations by the French Government to Whitehall, eventually elicited an admission from Simon that he knew about the proposed transaction as early as the end of March. He excused his failure to make any effort to stop the transfer—which he was finally forced to stigmatise as "very deplorable"—on purely legalistic grounds. If the Treasury had no power to stop the transfer, the Bank of England certainly had, so Simon had to fall back on the very convenient fiction that the Treasury has no control over the Bank. According to Sir John's Law Officers, the Treasury had no power to prevent the Bank from obeying the instructions of its customers. Unfortunately for Simon and Norman, no banker has the right—by the code of law of any civilised country—to comply with instructions which he knows were

obtained under duress. In this case the whole world knew. Yet it apparently never occurred to the directors of the Bank (nor to Simon to suggest to the Bank) that it should put the matter to the test of a legal decision. No. The Nazis were desperately hard up for foreign exchange ; their friends in England seized with indecent haste upon this apparently easy way of helping them. Despite all Sir John's "deploring," he has refused point-blank to do anything which might prevent a similar thing happening again. All suggestions that Britain should withdraw from the B.I.S., now revealed as merely a channel through which funds are handed over to Nazi Germany, have been blandly turned down. A private bill to force the Bank to consult with the Treasury on all matters affecting the national interest did not stand a chance.

The behaviour of the National Government and British business interests in the Far East over the incident at Tientsin fits neatly into the framework of this policy of collaboration with the Fascist powers. Protests against the Government's "inaction" in the face of Japanese threats to Britain's eastern trade—loud enough eighteen months ago—have long since dried up. The principal reason is that many British firms in China, much to their surprise, are to-day making more money than ever. They have found that the somewhat uneasy co-operation with the Japanese has paid handsomely. In the circumstances, they find it difficult (1) to believe that the Japanese—with the final share-out in view—are doing more than attempting to increase their bargaining power; and (2) to countenance any action on the part of the British Government which might upset the present profitable set-up. Moreover, as the war drags on and the Japanese look as far off victory as ever, it becomes more and more likely that if and when the Japanese exploiters are finally driven out of China, exploiters of other nationalities might have to go too.

With the Japanese militarists, as with the Nazis, British big business is finding more and more points on which there is community of interest and fewer on which there is serious rivalry. Complaints of German competition have also disappeared since the F.B.I. business chiefs got together with their Nazi counterparts. Actually, the manufacturing and trading activities of the two countries are to a great extent complementary—a fact always recognised by the F.B.I.—and the increased pressure of German competition about which there was so much complaint, was the result of the Nazi struggle for foreign exchange. Logically, "unfair" competition should disappear if this foreign exchange is made available—hence the F.B.I. policy. Through cartel arrangements, in chemicals, steel tubes, etc., the relations of the dominating sections of British industry with Germany have always been very close. None of the leading sections of British industry has much of a stake in South-Eastern Europe, which is important only for minor branches of the textile and machinery industries. Far more important to British big business are the profits derived

from sales to Germany of colonial raw materials, nickel, tin, rubber, while most of the leading British monopoly or semi-monopoly organisations—Unilever, Imperial Chemical Industries, Dunlop Rubber—and many of the banks have large blocked balances in Germany which they hope one day to be able to withdraw. The attitude of the dominating sections of British industry, of the bankers whose interests are bound up with big business and of the National Government which is the servant of both is, therefore, easily understandable. They are quite willing—indeed, anxious—to let Germany have South-East Europe as part of her Green Belt, for this is the one way they can lend much-needed support to their Nazi partners without seriously disturbing their own interests. The Germans for their part are delighted to co-operate with the British jointly to fight America in the world's markets. The understanding has the added advantage—to both sides—that it fortifies the Nazi “bulwark against the spread of Bolshevism” and holds out to the British industrialist the prospect of being able to subject his own working class to that form of “control” which he so much admires in Germany. Indeed, in private conversation, that is frankly admitted to be one of the chief requisites, for free speech and expression in this country have already gravely handicapped progress towards rapprochement with the Nazis. Hints are thrown out that freedom of speech and action would be an even more grievous handicap when it eventually came to the more serious business of joint action for reopening for capitalist exploitation the markets of the Ukraine. . . .

The F.B.I. is working hard to get those Düsseldorf talks re-opened. Chamberlain, Halifax, Simon and Norman, as their recent speeches and actions show, are just as keen.

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Dilution and the Unions

BY JOHN FOWLER

THE THREAT OF dilution is becoming already a large-scale actuality. "Dilution" may be taken to mean the placing of less-skilled, lower-paid labour on jobs normally done by a higher grade; at present it primarily affects two armament and near-armament industries, engineering and building. But it has a far wider importance. Although the workers in the armament and near-armament industries bear the brunt of the attack, any concession on their part would be followed up by the employers in other industries. Again, the dilutees and trainees themselves are being drawn from every industry and area.

The question can be dealt with under four heads :

- (1) The 1938 negotiations, and the position of the organisations concerned.
- (2) The piecemeal introduction of dilution since the arms programme commenced.
- (3) The difficulties of the Unions in resisting dilution.
- (4) The issue to-day.

The Government did not at first approach the engineers. The building unions were selected instead, and as early as May, 1937, it was agreed to establish a tripartite committee of the unions (through the N.F.B.T.O.), the employers and the government.

In March, 1938, at the time of the Austrian crisis, the government decided to approach the engineers. Meetings were arranged with the Confederation of Shipbuilding and Engineering Unions (March 24) and the A.E.U. (April 4). In order to prepare the way for these meetings by obtaining "goodwill," as well as for other reasons, the Government arranged to meet the T.U.C. on March 23. At the two meetings with the engineering unions, Sir Thomas Inskip made no specific proposals, confining himself to a general propaganda speech (reported in the *Journal of the Amalgamated Society of Woodworkers*, June, 1938). Despite this stirring appeal, the government received their first serious setback at the meeting with the A.E.U.

The Government, having done their best to prepare the way, left the field open to the Engineering Employers' Federation, which met the Unions concerned on May 25. The date is important, since it disposes of the pretext of a "shortage of skilled labour." Far from there being a shortage at this time, many more skilled engineers were unemployed than a year earlier.