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This week's economic and political picture

By **EDWIN HARTRICH** Oct. 30, 1954

COMMUNISTS STRIKE AT BRITAIN'S ECONOMIC JUGULAR VEIN

LONDON — Britain's three weeks old dockers strike — crippling to a nation dependent on sea-borne commerce — is Moscow's latest fifth column tactic against the West. The strike of 44,000 dockers hits Britain just when her business — domestic and foreign — is getting on its feet. And just when Britain has gained political leadership in the European defense alliance against Russia.

The strike has been organized by Communist-controlled local unions. They have defied the "return-to-work" order of the national Transport and General Workers Union. The loss to date is an estimated \$300 million in export and import contracts. Almost 350 ships lie idle in British ports.

The strike is a phoney. Even the pro-labor "Manchester Guardian" admits the strike "could be settled by any group of reasonable men in five minutes." But, Commie labor leaders are using Vishinsky tactics — arguing over trivialities — to prolong the strike.

Keeping the strike alive, to the embarrassment of both the Conservative government and the Socialist party opposition, is the National Assistance Board. Created by the Labor party when in power, this government agency largely supports the strikers with welfare state grants. True, the NAB doesn't match regular wages. But for the first time in Britain labor management history, the workers can afford to strike.

Press and politicians have been strangely silent about the basic issues at stake. This reticence caused the London "Economist" to comment: "Every labor reporter on the beat knows there has been a strategic planning and priming of Communist party members The public would have been much more indignant in the past three weeks if it had been continuously told of this carefully-planned Communist spring at the throat."

Labor party boss Clem Atlee and his lieutenants recently returned from a junket to Moscow and Peking, are on the spot. Having sung the praises of "peaceful co-existence" with the Communist world, they can't very well admit that Communist fifth columnists within their own ranks are eating away at their vitals.

BILLION DOLLAR SALE OF ARMY SURPLUS ABROAD

GLESEN, Germany — In "Operation Clean Sweep" the U.S. Army is trying to unload an estimated \$1 billion worth of surplus stocks overseas. The object is to clean out the crowded Army warehouses around Europe. Sales

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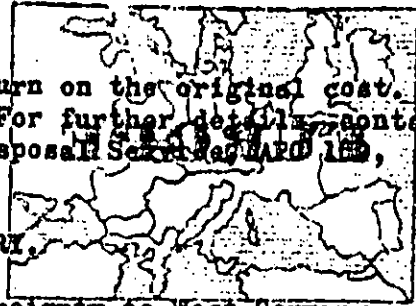
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BANKS AGAIN DOMINATE WEST GERMANY TRADE AND INDUSTRY.

FRANKFURT - One result of the return of sovereignty to West Germany will be the re-establishment of the pre-war "Big Three" banking networks.

But more important is their resumption of a dominant position in German trade and industry. The "Big Three" banking groups enjoy a far greater power in the German business world than do commercial banks in America or Great Britain. The reason for this lies in different banking practices and traditions.

First, when a German bank makes a loan, for example, to a Ruhr steel plant, it also wants to have a say in how that money shall be used. So it is common practice to give a bank representative a seat on the board of directors of the firm borrowing the money.

As a result through the years, the successful German banker is also a man well-versed in industrial management. The infiltration of bankers into industry-management became so strong in pre-war times that the Nazi government passed a law, limiting any banker to holding more than 24 separate directorships.

Secondly, as in pre-war times, it is still common practice in Germany for individual shareholders in a concern to deposit their stock with their bank. The bank in turn usually votes their proxies in addition to any shares it may own outright. German investors seem satisfied to let their banks, instead of themselves, exercise their ownership prerogatives in any German firm. Hence, the banks can come into any stockholders meeting and exert a decisive influence on management and policies due to their large blocs of proxies.

In pre-war times the "Big Three" -- the Deutsche, Dresdner and Commerz Banks -- were far more powerful than any of the so-called "Ruhr Barons" of industry. These industrial barons might figuratively thumb their noses at the government or public, but they never indulged in such gestures towards their bankers.

Because the "Big Three" represented such a concentration of economic power, the Allies ordered their decentralization at the end of the war. The "Big Three" were split into nine major banks and subsidiaries, operating in North, south and central Germany, allegedly separate and independent.

But Allied policy was largely defeated in the reconstruction of post-war Germany. After the 1948 currency reform, there was no capital market in Germany. The businessman had to go to his bank instead of the public to float a loan to rebuild or modernize his war-damaged factory.

This re-concentration of economic power in the hands of the banks may appear dangerous, but for America, it has its merits. The big banks act as a brake on adventurous political and economic policies, because of their extensive loans, both foreign and domestic. For example, the banks have been

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By

EDWIN HARTRICH Nov. 13, 1954

WHY RE-ARM? ASKS THE RUHR

DUSSELDORF.— Happily occupied with well-filled order books, Ruhr steel makers are showing only a passing interest in West Germany's impending re-armament. Steel production for civilian goods is booming over 17 million tons for '54 compared to 15.4 million tons for '53.

"STEEL ON THE WAY TO A SELLER'S MARKET," headlines the local economic newspaper, "Handelsblatt".

That all means West Germany's industrialists can afford to be choosy. They have booked orders for 4 million tons already. Prices are climbing. There is a heavy domestic demand for steel. Only 700,000 tons are scheduled for export as of today.

At a recent Dusseldorf meeting of steel-makers, ("Eisenhuettentag") several speakers touched upon—and that's about all—what gun-making will mean to the Ruhr today. Speech-makers and experts hit the following points:

- 1 - The Ruhr did not have to "rely on defense orders to utilize existing capacities."
- 2 - Armament orders, did not in the past, and will not in the future, play an "important part" in the Ruhr's steel production. Experts said only 6 to 7 percent of the steel capacity would be needed to handle rearmament.
- 3 - America will supply most of the heavy arms West Germany needs. Hence there will be less reason for the Ruhr to re-tool for arms production.
- 4 - There will be a "sensible distribution" of arms contracts. It appears that industrialists are not exactly fighting among themselves to get orders for weapons.

Rearmament is wanted by some manufacturers, for example, of electronic equipment, aircraft, alloys, trucks, optical and precision instruments. Arms contracts will bankroll their own research programs, also increase the size of their plants, and strengthen their position in the civilian market.

Paradoxically, the building industry, which would presumably benefit by the construction of new military installations, is alarmed.

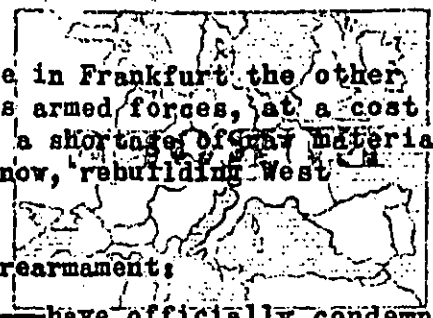
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ZWEI WÄHRE

A group of contractors called a press conference in Frankfurt the other day. They protested that to house and base Germany's armed forces, at a cost between \$1.7 billion and \$2.1 billion, would create a shortage of raw materials and send prices sky-high. They are doing all right now, rebuilding West Germany's war-damaged cities.



Two other factors dampen Ruhr enthusiasm about rearmament:

Trade unions—they speak for 6 million workers—have officially condemned West Germany's rearmament. (Their leaders are now trying to patch up a compromise more suitable to European politics since the signing of the Paris treaty). But labor also enjoys a "seller's market." No industrialist in today's boom can afford to ignore labor's sentiments—which coincide largely with the anti-armament views of the Socialist party.

Secondly, wholesale arms production means cutbacks in consumer and industrial goods for the domestic and foreign markets. West Germany is racing neck and neck with Great Britain—so it appears here—in the world markets. German industrialists reason: "Why tie up our factories to gun-making when they can be producing export goods?"

INDIA BARGAINS FOR AIRLINE CONNECTION AT SAN FRANCISCO

ZURICH - The Indian government is threatening to remove the "fifth freedom" of international air commerce from U.S. carriers, as a club to gain landing rights for Air India at San Francisco. The "fifth freedom" permits an airline to fly passengers from one country to another, regardless of their own or the plane's nationality.

Air India, the government-owned air line applied to C.A.B. in Washington for landing rights at San Francisco for a new transpacific flight from Tokio. The CAB said they wanted to limit the frequency of Air India flights to Frisco. Miffed at this, India's Premier Pandit Nehru decided to put the pressure on the American lines. Air India's officials commented that the whole problem will evaporate if they get a transpacific run approval in Washington.

Meanwhile it's learned in Dusseldorf that German firms wanting to do business in India had better "fly Air India or else....." Great pressure is being exerted on European businessmen by the aggressive Indian government and Air India's representatives, both at home and abroad, to increase travel on their line. One result: about 75 percent of the bookings out of Germany have been local businessmen flying to the Orient.

GERMANY PERMITS GREATER DOLLAR PURCHASES IN USA

BONN - This week the West German Government doubled the field of permitted imports from America which can be freely purchased without currency and quantity restriction. Included in the expanded list are: minerals, iron ore, aluminum, manganese, nickel, and other non-ferrous, pressurized petroleum and chemical products, leather, cotton, scrap, textiles, machine tools, various types of machinery, electro-technical equipment, trucks, ships, precision tools and optical goods, musical instruments, etc.

For further details write to:
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WORLD

TROUBLE IN EUROPE'S COAL-STEEL COMMUNITY

LUXEMBOURG - The aggressive new nationalism of French Premier Mendes-France has forced the retirement of Jean Monnet, president of the Schumann Plan High Authority, which bosses West Europe's coal and steel industries. M. Monnet, one of the most "internationally-minded" Frenchmen, has been conducting a guerrilla war with Mendes-France. The latter claims Monnet has "over-emphasized" the need for political and economic integration in post-war Europe. To dramatize this conflict, Monnet announced he will retire from office in February.

Finding a successor will be a major political problem. Certainly, Mendes-France is not likely to nominate Robert Schumann, father of the ECSC, and who is equally "international-minded" to take over the job. The French will hardly permit a German to succeed as the Presidency by default. Hence, one of the other junior nations may get the bid. But this is unlikely to harm the prestige and authority of the ECSC.

BUT SCANDINAVIA PLANS ECONOMIC UNION

COPENHAGEN - This month economic experts of Norway, Sweden and Denmark will meet to complete the final details of a customs union between these Scandinavian states. Immediately affected will be the producers of steel and iron, metals and metal products, electro-metallurgical and electro-technical equipments, and pharmaceuticals.

This economic union seeks to coordinate and expand productions and sales of these industries, to improve their domestic and foreign competitive positions.

WEST EUROPE AND ATOMIC ENERGY

BRUSSELS - Though lacking America's vast technical resources and advances in the field of atomic energy, West European industrialists and scientists are quickly moving to exploit this field of virtually unlimited power.

Belgium and Switzerland have just signed a pooling agreement. Belgium furnishes uranium ore from its Congo mines. Switzerland provides the equipment and scientists.

The British are concentrating on cheaper and more practical atomic power plants. Experiments are underway to determine if low- or high-temperature plants are the best.

Sweden introduces the only military note. Army Commander Nils Swenlund says Sweden must have "atomic bomb carriers" plus a country-wide defense against atomic attack.

Germany, however, will probably emerge as a leading European atomic power in the next decade. The successors of companies of the once great I.G. Farben chemical empire are making big plans to take over production of atomic power in West Germany. They argue—and with some logic too—that they have the only large pool of scientific talent available for such a program.

In addition, Germany has its own uranium ore reserves in the mountainous country on the Czechoslovak frontier, and in the Black Forest. Germany lacks supplies of heavy water, but has extensive deposits of graphite in Bavaria.

Blue prints for a 1,500 kilowatt atomic power plant are ready for construction. When the Paris treaty, giving West Germany sovereignty, is ratified the Germans will jump with both feet into the field of atomic power.

The Germans have big ideas. Professor Werner Heisenberg, Germany's leading atomic scientist, is assisting in the planning of the world's largest cosmotron for the projected European Atomic Research Institute. This would produce 30 billion electronic volts by contrast to America's cosmotron at Brookhaven, N.Y., now producing 2 billion volts.

European industrialists, scientists and government officials are anxiously waiting the creation of an international atomic power pool as originally proposed by President Eisenhower. Development of an atomic Marshall Plan sponsored by America would be one of the greatest victories to be achieved in the cold war with Russia, said one Ruhr industrialist.

PS - Those "inventive geniuses", the Russians, are not to be outdone. Stockholm reports of Soviet claims to have designed an atomic powered car and a radio transmitter.

GERMAN MONEY BEHIND GREEK SHIPPING TYCOON

HAMBURG - Rumors are current here that Aristotle Onassis, who operates one of the world's biggest tanker fleets, is getting German financial backing. Reportedly he has the support of the Deutsche Bank group.

Onassis has been trying unsuccessfully for some time to buy the big North German shipyard, Howaldtswerke, where a number of his tankers have been or are being built. Now the Ruhr steel firm, Dortmund Union, whose board chairman is Herman J. Abs, boss of the Deutsche Bank group, is now bidding for Howaldtswerke.

Onassis is regarded very favorably in Germany. His shipbuilding orders have helped to restore Hamburg and Kiel to pre-war strength.

MISCELLANY:

Three German firms and Fiat of Italy are to build tractor factories in Argentina. When completed, yearly production will run to 12,800 units.

Look for early full convertibility of the Belgian franc.

A growing middle class group in Iraq is a new market for cars and radios, say British exporters at the conclusion of the British trade fair in Baghdad.

With the settlement of the oil problem, the Iranian government plans to go ahead with a five-year re-construction program involving spending of about \$170 million. Approximately one-half will be allotted to road and rail construction, development of mines, construction of dams and other industrial projects.

Germans are fearful that the Japanese will engage in wholesale dumping of textiles under a new trade agreement.

In the near future German steel stocks may be quoted on the New York Stock Exchange. First being readied for public debate in the American capital market is August Thyssen Huette, the Ruhr's most modern steel plant.

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