

GERMANY'S COLONIAL DEMANDS

*By Hjalmar Schacht**Reprinted From*

FOREIGN AFFAIRS

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GERMANY'S COLONIAL DEMANDS

By Hjalmar Schacht

THE American reader will think that the problem of colonial possessions for Germany is no concern of his. For that reason I should like to refer to two points which are of importance from an American standpoint in the solution of this problem. First of all, I do not believe that the world economy can enjoy lasting prosperity without Germany's participation. If Germany were isolated, one might say that the world could survive the loss of a market of some seventy million people, that seventy million consumers, more or less, make very little difference to the world at large. But no such isolation of Germany is possible because the whole of Eastern Europe simply cannot dispense with the German market. The Eastern European countries are predominantly agrarian. For them the German market is a matter of life and death. At the present time Germany receives some 14 percent of the exports of Poland, 16 percent of those of Czechoslovakia, 17 percent of those of Austria, 30 percent of those of Hungary, 49 percent of those of Bulgaria, 20 percent of those of Rumania, 36 percent of those of Jugoslavia, 45 percent of those of Greece and 64 percent of those of Turkey. Consequently, the disappearance of Germany from the world market would have most unwelcome results for the whole of Eastern

Europe. Nor is it of much less importance to the Scandinavian countries. No one must forget this importance of Germany, situated as she is in the heart of Europe, with her highly developed population and her high standard of living. European prosperity cannot be conceived of without German prosperity. And however much America may wish to stand aloof, there is not the slightest doubt that the ebb and flow of European prosperity is important to her. The second reason why the United States cannot remain indifferent to the German colonial problem is moral. Even though the United States finally refused to ratify the Versailles Peace Treaty, it nevertheless was President Wilson who, by the proclamation of his Fourteen Points, provided the occasion for peace negotiations. Point Five of the Wilson program concerning colonies was one of the points on which Germany relied when she entered into those negotiations. And this, moreover, after the American Government had received from the Allied Powers the assurance, and had conveyed that assurance to Germany, that the Fourteen Points would constitute the basis of peace. Point Five of the Wilson program reads as follows:

A free, open-minded and absolutely impartial adjustment of all colonial claims, based upon a strict observance of the principle that in determining all such questions of sovereignty the interest of the populations concerned must have equal weight with the equitable claims of the Government whose title is to be determined.

Germany was perfectly ready to submit her colonial claims to the test provided for in Point Five, the more so because Colonel House, the President's friend and collaborator, in his well-known Lyons wireless in October 1918, had given the following interpretation of President Wilson's conception: "The stipulation is that in the case of the German colonies the title is to be determined after the conclusion of the war by 'impartial adjustment' based on certain principles. These are of two kinds: 1. 'Equitable' claims. 2. The interests of the populations concerned." Colonel House then referred specifically to Germany, and said: "What are the 'equitable' claims put forth by Germany? That she needs access to tropical raw materials, that she needs a field for the expansion of her population, that under the principles of peace proposed, conquest gives her enemies no title to her colonies." ¹

Just as it is impossible for the Government of Great Britain to ignore, in the face of history, the solemn assurance it gave at the beginning of the World War that it did not wish to annex the German colonies, so it is equally impossible for the American people to ignore the solemn declarations made by their Chief Executive and his collaborator.

It was not the German Government that brought the war into the colonial territories. It was not the German Government that brought the colored peoples into the World War, an act the consequences of which we now see in the widespread unrest prevailing amongst the colored races. The Congo Act of 1885, in which England, France, Belgium and Germany participated, provided that the signatory Powers in case of war would renounce the use of the Congo Basin as a basis for war-like operations. On August 23, 1914,

Germany suggested to her opponents that the colonies should be left out of the war. France and England did not follow this suggestion. They not only violated the Congo Act, but brought the war into the German colonies. Germany's entire colonial military power was only some 7,000 men in all the colonies put together. They had no significance other than to act as a police force for the maintenance of law and order. The inhabitants of the colonies were never used for German military purposes, whereas France brought over half a million colored soldiers and put them into the field against Germany. I make these preliminary remarks in order to show clearly that for Germany the colonial question is not today, any more than it was before, a question of Imperialism or Militarism. To this day it is still essentially a question of her economic existence.

In the golden age before the World War the problem of colonies and raw materials did not have the importance it has today. This is as true for Germany as for other countries. Before the war, Germany's world investments were in round figures 12,000 million dollars, the profits of which could be used to buy raw materials all over the world. The markets where raw materials were procured were completely free. Very seldom were the development and distribution of raw materials controlled by cartels, and on the rare occasions when raw materials were cornered the situation was only temporary. Long-term commercial treaties assured the freedom of international trade. All the important countries were on the gold standard, and this provided a sure basis for commercial calculations. Emigration and immigration, between the young countries and the old, was looked on with favor.

All these elementary principles of international trade and intercourse have now disappeared. Strict regulations govern immigration into almost all the countries where formerly immigrants were welcome. The gold standard has been abandoned by nearly every country. Commercial treaties are concluded only for brief periods, and in their place have come quotas and restrictions, to say nothing of constant increases in more effective tariffs. German investments abroad have been taken away without compensation, and the markets where raw materials are to be procured are largely subject to the same restrictions that prevail in other fields of commerce. In recent years we have seen the results of this policy. World trade has fallen to almost one-third of its previous maximum. Credit machinery has ceased to function. Confidence in international payments has been extinguished. Every merchant and investor is chary of investments in foreign countries.

In view of the decline in international commercial relations, the more important countries have fallen into the habit of exploiting more intensively the economic territories at their disposal. Much is said nowadays to the effect that Germany is striving for autarchy. People entirely forget that this autarchy has long since been achieved by such countries as France and Great Britain, not to mention Russia and the United States. Autarchy can be easily achieved -- in fact it naturally exists -- in an economic region which is supplied with almost all raw materials, provided it enjoys the same monetary system throughout. The British devaluation would never have had the success which it achieved if Great Britain had not been able to bring the monetary system of the Dominions onto the same

basis as her own. France could never have used her colonial empire so successfully if it had not been administered under the same monetary system as the mother country.

I should like to quote some figures to indicate the extent to which autarchy has progressed in the British and French Empires. The share of the British Dominions, colonies and protectorates in the imports of Great Britain rose during the last twelve years from about 31 to about 42 percent; and their share in British exports rose from about 41 to about 49 percent. The imports of France from her colonies increased in the last ten years from about 10 to about 26 percent, and her exports to the colonies increased from about 14 to about 32 percent. So vast is the geographical expanse of the United States of America, so enormous its wealth, that it is much less dependent than other countries on an exchange of goods with the outside world. In its natural wealth lies the explanation of the fact that its 125,000,000 people have only a ten percent share of the world's trade, whereas the 45,000,000 people of Great Britain have more than 14 percent. Of course the circumstances are even more favorable in Russia, which is not so developed and contains almost all kinds of raw materials.

As against these great national economic domains stand the countries with large populations but limited territories. Because of their inadequate land resources they are much more dependent than the others upon the international exchange of goods. These two kinds of countries have lately been classified as the "Haves" and the "Have-nots."

To their astonishment, statesmen have now become conscious of the fact that the British Empire has more than a quarter of the earth's surface at its disposal, and that one-quarter of the world's wheat, one-half of the world's wool and rubber, one-quarter of the world's coal, one-third of the world's copper and almost all the world's nickel is produced within the confines of that Empire. It was recently stated in the House of Lords that of an estimated twenty-five different varieties of essential raw materials, the British Empire was amply supplied in its own territory with no less than eighteen, was supplied to a certain extent in two cases, and was deficient only in five.

Germany, on the contrary, as the same speaker in the House of Lords pointed out, was sufficiently supplied by its own production in only four cases, was more or less adequately supplied in two, and was completely without supplies in nineteen. In Italy and Japan conditions are equally unfavorable. The speaker in the House of Lords appropriately added that, "in these circumstances it was not surprising that there was unrest in Germany, Japan and Italy; it was true that Great Britain was probably the most peace loving country in the world; that was because she had got all that she wanted." What is particularly interesting in this statement is the connection established by the speaker between the control of raw materials and the love of peace. He very rightly recognizes that a nation which is cut off from the essential necessities of life must be a source of unrest in the world.

Now, however, events have unfortunately occurred to make Germany's case very different from that of similarly situated countries like Japan and Italy. Despite the League

of Nations and its alleged assurances of peace, Japan has meanwhile decided to help herself and has acquired Manchuria; while Italy, by the conquest of Abyssinia, has expanded the territory which she requires for her life. As a result, Japan and Italy are no longer amongst the unsatisfied nations. They have left the Have-nots and have joined the ranks of the Haves, those nations which are satisfied. Germany remains the lone unsatisfied large Power. So long, then, as the problem of colonial raw materials is not solved for Germany, so long will she remain a source of unrest despite all her love of peace. It is that love of peace which still permits her to entertain the hope that she can solve the colonial problem peacefully and that she can take her place in the ranks of the Haves.

In the year 1929, when the extension of ample credit to Germany still concealed her economic situation, and while the international gold standard still flourished, 4,400 million dollars out of the 5,630 million dollars which Germany paid for imports went for food stuffs, raw materials and semi-manufactured goods. In the year 1935, the import total had declined to 1,680 million dollars, of which 1,400 million dollars were devoted to food stuffs, raw materials and semi-manufactured goods. The extent to which German production has been throttled is obvious. Of the 1,400 million dollars spent for imports, 600 million were devoted to food stuffs alone, and only 800 million went for raw materials and semi-manufactured goods. Any such quantity of raw materials is far below what Germany normally needs to keep her industries going and maintain the standard of life of her people. The false dawn which foreign credits brought to Germany in 1925-1930 following the institution of the Dawes Plan, made way for cruel reality when this credit inflation ceased and the world economic crisis occurred. It is either silly or cynical, in the face of such facts, for foreign commentators to declare that Germany can buy raw materials in the world market at will. No, Germany cannot do that because she does not possess the means of paying for them in foreign currencies; and she does not possess the means because foreign countries do not consume enough of her wares.

In the circumstances, it can hardly be a matter of surprise that Germany should try to increase her ability to produce raw materials in her own country by forced and artificial means. We know very well that even if we succeed in replacing with artificial native products a number of raw materials normally supplied by the world market we can do this only at high cost. So we ought to reject autarchy on principle, because it will necessarily lead to a lowering of the standard of life of the German people. But we have no choice so long as political conditions do not permit German colonial activity. There will be no peace in Europe until this problem is solved. No great nation willingly allows its standard of life and culture to be lowered and no great nation accepts the risk that it will go hungry.

I should like to make it perfectly clear that autarchy, whether natural or produced artificially, cannot possibly be an ideal. It is opposed to the general principles of civilization. Autarchy means isolation from the rest of the world. A reduction in commercial relations reduces the exchange of products of the intellect; the means of exchange in scientific, artistic and cultural fields are destroyed. A national economy

based on the autarchic principle produces mental autarchy. As minds grow narrower there is an increase in the estrangement which has unfortunately existed between the great Powers for many years owing to political factors. Heretofore mankind has progressed only by means of the exchange of intellectual goods; and only by such an can it resume a healthy development.

A considerable school of opinion holds that all that is needed is to restore the international exchange of goods. Germany's share will thus be increased, and she will again be able to purchase raw materials. These are the people who are always talking of free trade and the lowering of tariff walls. Everybody agrees with them, but no one has yet succeeded in translating their ideals into reality. The reason for this is very simple. It lies in the fact that a nation's economic strength plays an extraordinarily important part in determining its political situation. Today the possession of raw materials has become a political factor, just as the voluntary change of the currency standard has become a political instrument. People think that by withholding or sharing raw materials the political situation of a political opponent or friend can be correspondingly influenced. This theory was sadly exemplified in the famous sanctions agreements of the League of Nations. It was imagined that by means of an economic boycott the political necessities of life could be denied a country, or deliberately limited. We saw the policy in operation against Italy. The Italian example proves that no nation with any claim to honor and worth will willingly submit to such a policy. For any nation to live at the mercy of another is a complete impossibility. The spirit which prompts the idea is not that of a League of Nations; it is not the spirit of peace. It is a spirit which drives nations apart and into war. A great nation that sees itself exposed to such a danger will employ all its powers to avoid it. No friend of peace can ever approve of measures intended to cut off great Powers from the natural treasures of the earth.

A particularly ridiculous charge to which Germany has often to listen in connection with her colonial demands is that colonies in general and her former colonies in particular are valueless, and that it would not do Germany any good if her colonies were returned to her. This immediately prompts the retort: If the colonies are so bad, why do you keep them? It is also misleading to refer to the minor part played by the colonies in Germany's pre-war foreign trade. I have already pointed out that before the war free trade prevailed on a large scale and that Germany had valuable resources in the form of foreign investments. Consequently, it was not necessary before the war for Germany to develop her colonies with particular energy. It nevertheless is astonishing what Germany did with her colonies before the war without any great effort. They had been in her possession, on the average, for only some twenty-five years, from the end of the eighties and the beginning of the nineties. But during those twenty-five years Germany did more with her colonies than other countries had done in two hundred and fifty years.

At the outbreak of the World War, that is, after two decades of German administration, the German colonies had ceased to be a burden on the mother country. In fact, the financial balance was so well established that even the colonial railway loans had been paid for by the earnings of the colonies. Only the seven thousand police troops were

supported by the mother country. During the fifteen years before the war, the external trade of the German colonies had increased seven-fold. That happened in a time when Germany did not experience a scarcity of raw materials and foreign currency, in a time when world trade had not been interrupted by political and economic mistrust, in a time when the struggles of different currency systems were not being fought out, in a time, therefore, when Germany had no particular need to intensify her trade with her colonies. Today, when there no longer is free trade in the world, when Germany is crushed by foreign debts and harassed by the lack of raw materials and valuta, if her colonies were returned to her she would proceed to develop them with far greater intensity. A large part of the food supplies and raw materials which we now lack could be furnished by them.

Of course there are short-sighted people who declare that if Germany got back her colonies they would compete with the other countries which supply raw materials, to the disadvantage of these latter. This is simply the eternally recurring, short-sighted, unbusinesslike attitude of all those people who are constantly afraid of any new development. It was this attitude which found expression in England in the nineties, when it was said that every Englishman would be the richer if only Germany were crushed.

Even the stupidest person, I believe, would admit today that the English are not richer by one penny because of the World War and the Versailles Treaty. Their trade has dwindled, like that of every other country, and their financial burdens have increased exactly like those of other nations. If Germany could expand economically by acquiring her own basis of raw materials, this could only contribute to the stimulation of world trade in general. It would help to increase consumption, promote prosperity, and raise the standard of life, not only of the German people, but of the entire industrial world. At no time in history did the prosperity of world trade reach such a peak as during the years of peace before the war, when the economic competition of all countries was vigorous. For example, trade between Great Britain and Germany was never so active as at the time before the war when these two countries were engaged in fair industrial competition.

In matters of foreign politics, the American people, despite their youth -- or perhaps because of it -- have for the most part shown a healthy, human, moral attitude. It is true that, for reasons which are gradually being seen in their true light, the American People joined in the war. But they rightly refused to ratify the Versailles Treaty, because it was an immoral treaty. I know very well, and I wish here to confess it openly, that many things that are happening in Germany today are not approved of by a large section of the American people. But may I, just as frankly, ask Americans this question: What would they themselves do, after having lost a war which they fought in the conviction that it was for their existence, if they then were oppressed for twenty long years by an unjust peace imposed by the victors, and on top of that were deprived by their opponents of the necessities of life?

The German people have been the torch-bearers of European culture for thousands of years, have been the model in every field of art, have produced the most creative figures

in religion and in science. And this is the nation whose moral standing has been affronted and disparaged by its opponents for two decades! It is inconceivable that such treatment should not produce a profound reaction in the German people. Believe me, my American friends, when I say that this German people is still the same people that gave the world Luther and Goethe. For this reason it must and will live, for this reason it will continue to fight with all its strength for its place in the world.

Americans must not imagine that they can evade the moral responsibility laid on their shoulders by President Wilson. That this feeling of responsibility still exists in America is shown by the following statement by Colonel Edward M. House, the same Man from whose Lyons wireless I have already quoted, and who recently wrote in *Liberty* as follows: "Every statesman will admit in private conversation that Germany, Italy and Japan need reservoirs into which to pour their man power and from which to draw those necessities and raw materials which nature denied them. But the great possessing nations -- Great Britain, France, the United States and Russia -- are unwilling to grant to their less fortunate fellows more than the crumbs that fall from their colonial table. Just as social peace cannot prevail without some adjustment of the capitalistic system, so international peace cannot be preserved without drastic territorial readjustments. Great Britain, France, Russia and the United States must receive Italy, Germany, and Japan on terms adjusted to present world conditions and recognize their insistence upon being given their proper part of the colonial resources of the world. Chaos and catastrophe will be upon us unless those that have among the Powers are willing to share in some way with those that have not."

The attitude towards German colonial needs has been modified a bit. In 1929, when I pointed out at the Young Conference that Germany's demand for colonies raised an essential condition for her economic survival, I was laughed at. But now a British minister, Sir Samuel Hoare, speaking before the League of Nations in September of last year, has come forward in favor of a redistribution of the means of access to the world's raw material resources. The precise propositions and intentions that may lie behind that general formulation have not yet been revealed.

I therefore wish to name two conditions essential to the solution of Germany's raw material problem. First, Germany must produce her raw materials on territory under her own management. Second, this colonial territory must form part of her own monetary system. Colonial raw materials cannot be developed without considerable investments. Colonial markets are not of the kind that can live by the personal needs of the native population. Shirts and hats for the negroes and ornaments for their wives do not constitute an adequate market. Colonial territories are developed by the building of railways and roads, by automobile traffic, radio and electric power, by huge plantations, etc. From the moment that the German colonies came under the control of the Mandate Powers, Germany was cut off from the delivery of goods required for such investments. In 1913, for example, Germany's exports to Tanganyika formed 52.6 percent of that area's imports. In 1935 they formed 10.7 percent. The British Mandate Power as a matter of course places its orders in England and not in Germany or elsewhere. That is the

reason why Germany needs colonial territories which she herself administers. Since, however, the development of colonies depends upon long term investments, and these investments cannot be made by the native negro population, the German currency system must prevail in the colonial territories, so that the required investments may be made with German credits. These, then, are Germany's two basic demands in the colonial field: that she have territories under German management and included in the German monetary system.

All the other questions involved -- sovereignty, army, police, law, the churches, international collaboration -- are open to discussion. They can all be solved by means of international cooperation so long as nothing unworthy is imputed against the honor of Germany. The German colonial problem is not a problem of imperialism. It is not a mere problem of prestige. It is simply and solely a problem of economic existence. Precisely for that reason the future of European peace depends upon it.

¹ *Editor's Note.* Although American authorities have recognized the moral obligations imposed by the Fourteen Points, many of them will learn here for the first time that the interpretation of the Fourteen Points sent to President Wilson from Paris by Colonel House in a cable dated October 29, 1918, had in some manner become known to the German Government at that time, *i.e.* two weeks before the Armistice. The implication of Dr. Schacht's statement might be that Colonel House's message (the reference to it as a wireless from Lyons is obscure) was intercepted by the German authorities. The message in question transmitted a memorandum prepared for Colonel House, largely by Walter Lippmann. The sentences quoted above by Dr. Schacht appear in that memorandum. The full text is printed by Charles Seymour in Volume IV (p. 192-200) of "The intimate Papers of Colonel House," published in 1928. It also is given by David Hunter Miller in "My Diary at the Conference of Paris," Volume II, pages 69-80, privately printed in New York in 1924. The full text of the section of the memorandum dealing with Article V reads as follows:

"Some fear is expressed in France and England that this involves the reopening of all colonial questions. Obviously it is not so intended. It applies clearly to those colonial claims which have been created by the war. That means the German colonies and any other colonies which may come under international consideration as a result of the war.

"The stipulation is that in the case of the German colonies the title is to be determined after the conclusion of the war by 'impartial adjustment' based on certain principles. These are of two kinds: 1. 'Equitable' claims: 2. The interests of the population concerned.

"What are the 'equitable' claims put forth by Britain and Japan, the two chief

heirs of the German colonial empire, that the colonies cannot be returned to Germany? Because she will use them as submarine bases, because she will arm the blacks, because she uses the colonial as bases of intrigue, because she oppresses the natives. What are the 'equitable' claims put forth by Germany? That she needs access to tropical raw materials, that she needs a field for the expansion of her population, that under the principles of peace proposed, conquest gives, her enemies no title to her colonies.

"What are the 'interests of the populations'? That they should not be militarized, that exploitation should be mandated on the principle of the open door, and under the strictest regulation as to labor conditions, profits and taxes, that a sanitary régime be maintained, that permanent improvements in the way of roads, etc., be made, that native organization and custom be respected, that the protecting authority be stable and experienced enough to thwart intrigue and corruption, that the protecting power have adequate resources in money and competent administrators to act successfully.

"It would seem as if the principle involved in this proposition is that a colonial power acts not as owner of its colonies, but as trustee for the natives and for the interests of the society of nations, that the terms on which the colonial administration is conducted an a matter of international concern and may legitimately be the subject of international inquiry and that the peace conference may, therefore, write a code of colonial conduct binding upon all colonial powers."

Professor Seymour states ("Intimate Papers," v. V, p.153) that in reply to the House cable of October 29, President Wilson the next day cabled from Washington that the comment on the Fourteen Points was "a satisfactory interpretation of the principles involved," but that the details of the application mentioned should be regarded as merely illustrative suggestions.

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