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DEPARTMENT OF OVERSEAS TRADE.

REPORT
ON THE
ECONOMIC AND
INDUSTRIAL CONDITIONS
IN
ESTHONIA.

Dated June, 1923.

BY

MR. J. E. P. LESLIE,
His Majesty's Consul, Reval,

ASSISTED BY

MR. W. J. SULLIVAN,
British Vice-Consul, Reval.



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OF THE

ECONOMIC AND

INDUSTRIAL CONDITIONS

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NOTE.

This report has been prepared at the request of the Department of Overseas Trade by His Majesty's Consul, Reval.

It should be understood that the views expressed in annual reports are the views of the officers themselves, and are not necessarily in all respects the views of the Department.

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REPORT
ON THE
ECONOMIC AND INDUSTRIAL CONDITIONS
IN ESTHONIA.

I.—INTRODUCTORY.

Economic and political conditions in Esthonia are so closely interdependent that some reference to the latter must be made in order to present the commercial situation of the country in its true perspective. The history of Esthonia as an independent state is of very recent date, and the political uncertainties which attend the early stages of national development in such circumstances must necessarily react upon any judgment of the risks involved in financial or commercial dealings with this country. From this standpoint it is satisfactory to note that, during the year under review, the social and political stability of the country has been fully maintained. Indeed, the further progress which has been made is reflected in the increased volume of trade indicated in the present report. The handling by the Esthonian Government of the Communist element in the country has been characterised by great firmness and justifies the inference that popular opinion, while strongly democratic, is equally averse from extreme principles of action. The evidence afforded by the stable condition of the currency, attributable to a prudent avoidance of any policy of inflation, is no less satisfactory, even if account is taken of the fact referred to in the body of this report, that this stabilisation has been achieved to some extent at the cost of a rise of the internal price level. While the low rate of exchange at which the Esthonian mark stands, in terms of sterling, is admittedly disadvantageous to foreign trade, the absence of violent fluctuations has increased the confidence of business men in their dealings with the country.

The reduction of the deficits in the state budgets referred to in the body of this report is another satisfactory indication of the improved condition of Esthonia.

It is all the more important that these facts should be borne in mind because of the admitted disadvantages in the position of Esthonia which tend to discourage the growth of business or the investment of capital in the country. Of these, the most obvious as well as the most formidable is its proximity to Russia, and the uncertainty which still exists in the minds of not a few as to its future status and entity.

While the adverse features in the situation of Esthonia call for the exercise of considerable prudence on the part of those contemplating business relations with the country, it would be a

mistake to exaggerate the disadvantages and to resign, out of an undue sense of caution, relatively valuable openings to foreign competitors. A distinction in this respect may usefully be drawn between the sinking of capital in a more or less permanent and irrevocable manner, for instance in the development of a local industry, and the less extensive and committal investment involved in ordinary trading.

With regard to trade, to the erection of machinery or plant, and generally to those matters where the risk is only coterminous with the interval between the delivery or erection and payment, the possibilities of the Esthonian market are worthy of more attention on the part of British traders and manufacturers.

The limited character of the local industries creates a demand for those classes of manufactured goods which the United Kingdom is peculiarly fitted to provide. Admittedly the small population of Esthonia, scarcely exceeding one million, and the modest means of its inhabitants, can only constitute for British goods a relatively small market, but one which, with these limitations, is nevertheless remunerative. The most formidable competitor, Germany, is at present at a considerable disadvantage owing to her internal difficulties. The uncertainty of deliveries and the restriction of credit in that quarter are diverting purchasers to other sources of supply.

The natural products of Esthonia, notably flax, timber, dairy and agricultural products, constitute a source of supply for British importers which is far from negligible.

In conclusion, Esthonia cannot be regarded, from the standpoint of British trade or industry, as a market of very great importance, but it offers nevertheless opportunities which, if allowed to lapse owing to an unjustifiable excess of caution, will certainly be exploited by foreign interests whom the element of risk will not deter.

II.—FINANCE.

Budget.—The budget for the year 1923 is the fifth which has been submitted since the foundation of the Esthonian Republic, and is summed up in the following statement :—

	Esthonian Marks.
	Millions.
Expenditure	6753·7
Revenue	6046·5
Deficit	707·2

Expenditure.—Under this head certain economies have been made, for instance, by the progressive reduction of the estimates of the Ministry of Trade and Industry from 276·6 million marks in 1921 to 64·8 million marks for 1923.

On the other hand, certain departments show a marked increase in expenditure, notably the Ministry of Ways and Communications, the estimates of which have increased from 146·9 million marks in 1921 to 275·4 million marks in 1923. The estimates of the Ministry for War show a slight decrease, as follows :—

1921.	1922.	1923.
Million Esthonian Marks.		
1,852·9	1,615·3	1,614

It will be observed, however, that the figure for 1923 represents 23·9 per cent. of the gross expenditure. The strategical position of Esthonia accounts for the comparatively heavy estimates under this head.

Revenue.—The ordinary estimated receipts for 1923 as compared with the amounts actually received in 1921 are as follows :—

Source of Revenue.	Receipt in million marks.	
	1921. Actual.	1923. Estimated.
Income Tax	199	210
Trade Tax	144·6	266·5
Property Tax	40·5	41·8
Capital Tax	10·1	12·3
Revenue Tax	160·6	199
Customs Duties	697·5	1126·3
Excise	140·5	236·3
Spirit monopoly	1237·1	991·5
Railways	697·2	914
Postal Administration	163·7	233

The increase in the estimated revenue of the state for 1923 is based upon the results of the half year in 1922 during which the actual receipts from the first seven sources enumerated exceeded 50 per cent., the revenue from the spirits monopoly falling slightly below that percentage.

Deficit.—Compared with the year 1922 the deficit on the budget shows an increase of 94·2 million marks. The balance of revenue and expenditure tends to bear a more stable relation to the budget as compared with the position in the first three years of the existence of Esthonia as a republic :—

Year.	Per cent. of deficit.
1919	90
1920	50
1921	15
1922	10·3
1923	10·5

It is intended to cover the deficit for this year by raising an internal loan.

Foreign Debts.—These have been contracted by the Esthonian Republic in respect of the war for the liberation of the country. On the 1st January, 1923, these stood at the following figures :—

United Kingdom	£251,000.
British Admiralty	£102,600.
United States of America	14·5 million dollars.
American Relief Administration	2·1
France	6·5 million francs.
Denmark	463·9 thousand kroner.

The aggregate amount of the Esthonian foreign debts is approximately 6,400 million Esthonian marks, or 6,000 E. mks. per head of the population.

Considerable progress has been made in the sinking of the French debt, which has been reduced from 13·7 million francs.

Currency.—Since June, 1921, the quantity of paper money in circulation has shown a slight decrease, from 2,910,963,264·65 marks to 2,516,959,651 marks on the 1st January, 1923. This has led to a corresponding stabilisation of the rate of exchange in sterling which has fluctuated slightly in 1922 from the figure of 1,500 marks to the £. Early in 1923 a nickel coinage was put into circulation for the smaller denominations. The effects of the change were delayed slightly by a tendency among the uneducated classes to hoard the coins. They are now more rapidly displacing the notes of the same value.

Generally the increase in the budget may be attributed to the augmentation in the emoluments of the civil servants, and to expenditure in the development of state industrial undertakings.

Money is scarce, however, and credit restricted, the rate of interest for loans being in the region of from 12 to 15 per cent. Early in 1923 the slump, caused *inter alia* by an overstocking of commodities, led to the bankruptcy of a number of small concerns whose precarious existence could not be preserved during a period of economic tension. There were, however, no liquidations of important undertakings.

The Reval exchange does not play an important part in the financial activity of the country. During the first month of 1923 its operations were only distinguished by excessive speculations in German marks. In the autumn of 1922 the fall of the German mark created an increased demand for sterling, and the Esthonian banks jointly undertook to cover the demand for foreign bills of their respective customers.

The banks in Esthonia are numerous and may be deemed to exceed the present requirements of the trade and industry of the country. This involves the dispersal of capital among small institutions with a loss of the effective power which would be gained from its greater centralisation.

The Eesti Bank, which is the state bank of the Republic, was founded in February, 1919, with a capital of 10 million marks, subsequently increased to 250 million marks. Although its status is that of a limited company, it has the right to issue notes.

The deposits at the bank to 1922 amounted to the following :—

	Million Marks.				
1919	55·1
1920	446·1
1921	1,103·8
1922	3,336·5

The nett profits have risen from 1 million marks in 1919 to 135.5 million marks in 1921. The revenue offices in all the towns of Esthonia have been converted into branches of the Eesti Bank for the purpose of carrying out all banking transactions.

Credits in Esthonia are very inelastic owing to the scarcity of capital and the element of uncertainty which discourages investment. Short-term credits for small amounts are on the increase, as much as six months being given in respect of agricultural undertakings.

III.—TRADE

General Remarks.—During the year under review the value in Esthonian marks of imports was 5,589,415,787, and of exports 4,811,580,868, the excess of imports over exports being 777,834,919. The foreign trade for this period shows a considerable increase in the exports from Esthonia and a relatively slight increase in imports. According to statistical information, the commodities most in demand in the country are :—

Articles of diet—amounting in value to	29	per cent.	of the total imports
Textiles and clothing	15	“	“
Machinery	14	“	“
Hardware and metals	12	“	“

Fifty-four per cent. of the commodities imported have been obtained from Germany, which is the most serious competitor for the foreign trade of Esthonia. The United Kingdom holds the second place, contributing 15 per cent. Commodities from Central Europe and shipped from Danzig amount to 7 per cent. of the total imports. Finland, Latvia, Denmark and Sweden follow in order of importance.

The principal commodities exported from Esthonia are :—

Articles of diet—amounting in value to	26	per cent.	of the total exports.
Timber	18	“	“
Paper made from wood pulp	12	“	“

With regard to the export of foodstuffs, butter was sent chiefly to Denmark and the United Kingdom; pork, both raw and prepared as smoked ham, to Sweden. The export of beef has not so far met with any appreciable success.

The principal countries to which Esthonia exported her products were :—

Russia	which received in value	25	per cent.	of the total exports.
United Kingdom	“	22	“	“
Germany	“	12	“	“
Belgium	“	7	“	“

The opportunities for the sale of certain commodities of British origin have been noted in greater detail elsewhere.

While the continuance of stable political conditions has favoured the expansion of trade relations with Esthonia during the period under review, other factors have tended to place difficulties in the way of the development of commercial activity. Of these the most important has been an accumulation of stocks,

leading to a glut in the market, notably in the case of textiles. This is attributable to three main causes: (1) an imperfect mechanism of distribution due to the altered political conditions. The improvements which a new and none too wealthy state must undertake can only be carried out gradually, and the adjustment of supply to demand is in the meantime subject to certain unavoidable defects; (2) the flooding of the market with large quantities of cheap goods, out of all proportion to the needs of the consumer; and (3) the almost overwhelming difficulty of arriving at satisfactory commercial relations with Russia. The latter cause has not only defeated the expectations regarding the transit trade through Esthonia, but it has also operated to leave that country loaded with commodities destined for Russia which cannot profitably be disposed of.

The effect of these adverse conditions was most marked towards the close of 1922 and early in 1923. Numerous small undertakings, established mainly with a view to future trade with Russia under more favourable conditions, have failed and been compelled to close down.

The more stable concerns, notably the firms of German origin which were more familiar with local conditions, survived the period of depression, which is now undergoing a slight improvement. The test of a firm's fitness to survive has been adaptability to the altered circumstances occasioned by the frustration of hopes of increased trade with Russia and the exploitation, as an alternative, of the Esthonian market.

These circumstances, although not necessarily of a permanent character, are, admittedly, discouraging to commercial enterprise at the present time. On the other hand, these obstacles affect equally other countries engaged in trade with Esthonia. A more satisfactory feature of the situation, from the point of view of British trade, is the increasing difficulty due to her own internal conditions, which Germany is meeting in the Esthonian markets. The restriction of credits from that quarter and the increase in prices with respect to certain commodities, notably machinery, has given British products an opportunity of sale which the previous low prices of German goods had rendered almost impracticable. The prospect of expansion attributable to these causes may only be slight, but, bearing in mind the limitations of the market, they are nevertheless worth exploring.

With regard to the terms of payment prevailing in Esthonia, the general practice is to demand one-third or one-half of the price at the time of ordering, the remainder to be paid against documents at the port of shipment. These terms rule at present in transactions with Germany. Swedish traders are reported to have given credit in isolated cases. Some complaints have been made by Esthonian business men and also by British subjects engaged in trade in the country that firms in the United Kingdom insist unduly on cash payments, and allow business to flow into other channels where credit is more readily given. This objection

does not appear to be substantial. The conditions of trade are not so extensive as to call for the granting of credits to allow money to circulate in other channels. Nevertheless, an unbending policy of refusal to grant reasonable short term credits in all cases is not commendable. It is desirable to exercise discretion in the matter, and particularly to obtain in the first instance information respecting the financial standing of the firm to which it is proposed to extend credit facilities.

Demand for British Goods.—As far as it has been possible to ascertain from trade enquiries and general discussion of commercial questions with representatives of the business and official classes, there appears to be a demand for British goods, chiefly of the character indicated below.

Although the openings for trade in foodstuffs are somewhat limited by local conditions, the volume of imports from the United Kingdom to Esthonia is relatively large both in quantity and value.

So far as tinned foods and fruits, other than those grown locally, are concerned, the market is restricted by the high customs duties and consequent raising of the price to a level which limits considerably the field of prospective purchasers. The characteristic tastes and somewhat conservative attitude of the population in the matter of diet must also be taken into account. Notwithstanding these elements, the situation of this branch of trade is satisfactory.

Openings for the sale of tea, sugar and cocoa are promising. With regard to the first of these commodities, there are prospects of an expansion of trade, provided that the cost to the consumer is not unduly raised. In the case of sugar, certain matters call for consideration. The demand for this article is extensive, the chief sources of supply at present being Java and the United States. The high prices charged by exporters from the United Kingdom place these at a disadvantage in the matter of competition, while the fluctuation in prices tends to promote speculation. The market for flour, which is also supplied chiefly from the United States, exhibits the same characteristic, but no increase in the supply from abroad of this commodity need be expected, the tendency being for local firms to import grain and to do their own milling. With regard to rice, the control of the supplies by Germany some months ago presents a serious obstacle as regards price to British competitors.

Foreign supplies of beer and spirits are negligible, partly owing to the high duties and mainly owing to the ready sale of local products.

The manufacture of spirit from potatoes is an important local industry, and, as regards beer, the popular taste favours a product of considerably lower alcoholic strength than is customarily brewed in the United Kingdom.

There is a fairly constant demand for cured tobacco leaf by local cigarette manufacturers, and there is reason to believe that

business in this commodity with the United Kingdom may increase. Cut tobaccos are subject to heavy duties in order to protect the cigarette-making industry, and the high retail prices charged for foreign articles proves a serious hindrance to trade.

Of the Esthonian industries, those which rely upon foreign sources for the supply of their raw material are concerned with the production of textiles and the working of metals. Other prominent industries derive their raw commodities locally, such as timber for paper manufacture, and hides for the leather industry. In the latter case, however, the local sources of supply are insufficient and hides are imported to some extent from abroad.

In connection with purely extractive industries such as agriculture, fertilisers, and particularly phosphates, are in demand. Cotton and wool are also obtained from abroad in considerable quantity. There are no less than 500 cotton mills of all types and a number of woollen manufacturing concerns, notably at Narva. Seeds for planting are also imported, especially clovers, grasses and vegetable seed.

With regard to coal, the prospects of expansion are not so satisfactory. The Esthonian railways continue to utilise wood fuel, notwithstanding indications some time ago that they were contemplating the adoption of coal. Factories, notably mills, offer an opening for this commodity, and account for a considerable part of the coal consumption of the country. The bunkering business in the Esthonian ports, especially Reval, is already fully exploited by existing British firms which have established depots *in situ*. The view has been expressed that the exhaustion of the timber from the forests of Esthonia will create an increased demand for coal and that, at the present time, it is more profitable to export timber and purchase coal for internal consumption. While these opinions are not without weight, the condition of the coal trade does not appear to furnish proof of the favourable influence of these factors.

Fats for soap manufacture are normally in demand for use in the local industry, but owing to excessive production and a glut of imported soaps, this opening for the time being is virtually closed.

The leather industry of Esthonia imports hides, the local sources of supply being insufficient.

Rags are also in demand for production of higher grade papers.

With regard to manufactured articles, there are openings for the sale of domestic goods, especially petroleum lamps, which are chiefly used in the country districts. Of special interest to British trade is the demand for higher grade tools, spare parts, piping, plates, etc. Cutlery of superior quality should also find a market. In these classes of goods Germany (and Poland) are serious competitors, but the reputation for quality of British articles is generally recognised. Unless the difference in price virtually compels the purchase of inferior types there are reasonable prospects of a development of British export trade in these commodities.

Electrical goods, lamps, fittings, etc., are in demand in the towns. If the schemes proposed for the utilisation of the falls of the Narova for the production of electric power are realised, this opening will become of increasing interest to foreign manufacturers for export. Agricultural machinery also finds a satisfactory market, purchases being made in some cases by the small farmers through agencies. Textile machinery is not at present in demand, but spare parts are imported from abroad.

With regard to clothing, there is a marked preference for suitings of British manufacture and superior quality, notwithstanding the high prices. Large stocks, however, are at present in hand.

Chemicals are imported mainly from Germany. There is an opinion in some commercial quarters that crude chemicals of British manufacture, as distinct from drugs, could be put on the market.

Attempts to interest Esthonian purchasers in British makes of motor vehicles have proved disappointing, mainly owing to the question of price. Light cars most in use are of American origin, and heavier makes come from Germany.

Rubber manufactured goods, especially goloshes, are imported in large quantities from abroad. Attempts to stimulate their manufacture locally have proved unsuccessful, and although, in this case also, Germany, the United States and France are the chief importers, it would be desirable for British manufacturers to consider how far they might compete with advantage. Of the smaller type of commodities, British manufactured polishes have been sold with considerable success.

In conclusion, it may be stated that both on ground of sentiment and on account of an appreciation of their high quality there is in Esthonia a real interest in British products. Unfortunately the high prices of these commodities act as a deterrent in many cases. With the reservations made in other parts of this report on account of the relatively small size of the market and the tendency of supply to exceed demand owing to injudicious importation, it may be stated that Esthonia offers possibilities of expansion for British trade which are deserving of greater interest and attention than appear to have been displayed hitherto by manufacturers and exporters.

Commercial Treaties.—During the year 1922, Esthonia has concluded treaties of commerce and navigation with France and Hungary. The treaty with Finland was also ratified, and provides *inter alia* for the reciprocal admission of certain products of each country free of import duty. These concessions are of special advantage to the Esthonian textile and soap manufacturers. Negotiations for the conclusion of treaties with the United Kingdom, Russia, Germany and Latvia are also in progress.

IV.—AGRICULTURE.

According to the available statistical information agricultural conditions during 1922 have considerably improved and, notwithstanding the set-back caused by the bad harvests in 1919, the situation has become normal. It is claimed that the area under cultivation has increased from 454,000 dessiatines in 1919 to 572,120 in 1921.

When it is borne in mind that, in 1919, Esthonia was faced with the imminent danger of famine, the fact that the country now possesses a surplus available for export furnishes striking evidence of its recovery.

The harvest of 1922 has been of average type, the yield of the various crops being given as follows :—

Rye..	..	..	..	..	..	8,870,000	poods.
Wheat	..	..	..	..	..	545,000	„
Barley	..	..	..	..	..	8,525,000	„
Oats	..	..	..	..	..	9,590	„
Potatoes	..	..	..	..	..	40,800,000	„
Flax	..	..	..	..	..	590,000	„

The most important agricultural products are potatoes and flax, the former being mainly utilised in the spirit industry.

With regard to flax cultivation, the average yield per acre for 1922 was approximately 2·8 cwts. of seed and 3·1 cwts. of fibre. The country to which the greater part of the flax was exported was the United Kingdom, which received 1,584 tons 6 cwt. out of a total exported of 3,116 tons 4 cwt. In quality, the crop is considered to be an improvement upon those yielded in previous years.

The area under flax cultivation has notably increased as compared with the war period of 1914-1918, but the return to pre-war conditions is retarded by the preference shown by farmers for cattle-rearing.

The best-known types of Esthonian flax are the “ Livonia ” and “ Werro-Petseri.” The price per ton f.o.b. Reval according to grading is given as follows :—

“ Werro-Petseri ”	G.	..	£	105	“ Livonia ”	G.	..	£	95
	R.	..		95		R.	..		85
	Hd.	..		85		H.D.	..		75
	D.	..		75		D.	..		65
	O.D.	..		65		O.D.	..		55
						D.O.D.	..		45
						H.	..		35

While the export of agricultural produce is a marked feature of the year 1922, it should be borne in mind that against its importance in diminishing the adverse balance of imports over exports and the consequent maintenance of the rate of exchange, must be set off a rise of the internal price level of nearly 15 per cent. during the end of 1922 and the early months of 1923.

V.—INDUSTRY.

While the altered circumstances in Russia have deprived Esthonian industry as a whole of its chief stimulus to production, there has been a slight revival notably with reference to textiles. Timber production is of prime importance, the manufacture of paper from wood pulp occupying the second place. Paper is exported not only to other European countries but also to the United States

The leading factories, of which the most important is a German concern, are equipped with very modern plant and machinery and appear in other respects to approximate to the present standard of factory administration.

Oil Shale.—The oil shale industry is still in the experimental stage and the opinions as to its prospects are varied and conflicting. The problem of obtaining a suitable retort for the economical distillation of the oil has not yet been solved, and it is significant to note that, so far, there is apparently no evidence that the leading oil combines of the world have thought it worth while to obtain a controlling interest in this new source of supply.

The utilisation of the shale as fuel has been condemned as a wasteful process. So far as its employment on the railways is concerned the results have been unsatisfactory, the quantity of ash yielded having fouled the fire boxes of locomotives and the oil itself being too rapidly consumed. In only one case has the shale been used with advantage as fuel, namely in cement works, where the ash can also be profitably utilised in the manufacture of the product. The development of the Esthonian oil shale further requires the contribution of capital from abroad, a matter which, in view of the political situation, is not free from risk.

Both British and foreign interests have secured concessions for experimental purposes. Particular attention has been devoted to the problem of obtaining a retort which will ensure the distillation of the oil in the most economical manner.

The output of shale in 1920 was approximately 3 million poods, which was increased to 5·7 million poods in 1921.

The consumption of the shale for the latter year was distributed as follows (exclusive of the quantities consumed at or near the deposits) :—

	Poods.
Gas factories	195,513
Private consumption	43,593
Industries	239,364
Cement manufacutre	2,273,659
Experimental work	27,667
State purposes	124,811
Railways	563,734
Railway depots	29,832

The corresponding figures for 1922 are not yet available, but it is understood that a further increase in output will be recorded. For the purposes of the Esthonian market, the shale is divided into three grades on the basis of the oil content, relative humidity and residuum of ash.

Leather.—The leather industry in Esthonia has undergone some improvement, but, as the export trade is mainly directed to Russia, it is of little interest to purchasers from the United Kingdom.

Shipbuilding, etc.—The ship and waggon building and engineering industries in Esthonia have made little progress towards pre-war conditions. Occasional orders from the Soviet Government for the repair of locomotives, the construction of a railway bridge at Narva, have kept them from stagnation. Ship-repairing work which could be carried out in Reval has been diverted to Finland, the chief shipyards at the former place having undergone a chequered career ending in the sequestration of the works by the Esthonian Government in consequence of the non-payment of the workers' wages.

Metal.—The metal industry is chiefly engaged in the production of the smaller type of agricultural implements, the chief centres for the production of which are at Reval, Dorpat, Pernau and Narva.

Soap.—Soap manufacture in Esthonia has expanded, but the advantages of this branch of production have been lessened by the glut on the market, which was already heavily stocked with foreign products. Protective measures in support of the home industry are in contemplation, notwithstanding the fact that the existing duty on imported soaps is high. The general policy of the Esthonian Government is to favour the reviving industries of the country by means of a protective tariff.

Cotton.—In 1921, 3,255 persons were employed in the cotton industry, 1,109 in yarn and woollen manufacture, and 1,414 in the manufacture of linen. The smaller factories are dependent exclusively on manual labour. Of the more prominent, those situated at Narva avail themselves of the water power derived from the River Narova. The textile industry is still at an early stage of its recovery from the adverse circumstances of the war period. One of the largest concerns has reached 55 per cent. of its pre-war output, but the country as a whole is still largely dependent upon foreign sources of supply, especially for textiles of superior quality.

Cement, Bricks, etc.—In the manufacture of cement, bricks, and earthenware, further improvements have been effected. There are two important cement factories in Esthonia, and, as the industry in Latvia is not yet capable of meeting the demands of the country, the production of the Esthonian concerns will for the present be utilised in the neighbouring state. The cost of production has been markedly diminished by the use of oil shale as a substitute for coal. The main difficulties in its utilisation have been solved, the question of drying the shale for combustion in the furnaces being the only problem which has not yet been

satisfactorily overcome. The mine humidity of the shale reaches a maximum of 25 per cent. and it is necessary that the fuel should not contain more than 3 to 4 per cent. of moisture.

It may be anticipated that constructional work in the Republic will be undertaken on an increasing scale in view of the urgent demand for buildings. An outlet for the concrete and cement manufactures will thus be assured.

Peat.—The peat industry of Esthonia is owned partly by the State, and partly by newly founded syndicates. Of the 2,000 square kilometres (approximately) of peat bog only a small area is suitable for exploitation. The extraction of peat is further hampered by the need of machinery, for the erection of which the capital required is not easily obtainable. An attempt by the private interests to induce the Government to increase the import duty on coal as a protective measure, has been successfully resisted by the industrial groups. As the annual yield of peat fluctuates considerably, factories cannot rely upon supplies at a fixed quantity.

The most likely use for this product will be as fuel for electric power stations, the erection of which is under consideration. According to one scheme for the construction of a plant to supply the town of Reval from a distance of about 60 kilometres, the utilisation of peat should reduce the cost of electricity to the consumer to 15 Esth. marks per kilowatt.

Labour Conditions.—At the close of the year 1922, and during the first few months of 1923, a marked increase in the retail prices of staple articles of diet has been observed. Since the 1st January this factor has led to a rise in the general cost of living estimated at roughly 15 per cent. This increase is attributable to the fact that Esthonia has exported considerably more than the available surplus of foodstuffs, thereby creating a scarcity in the internal market. While the value of the mark has been maintained by the consequent reduction of the balance of imports over exports, the process has been artificial, and the purchasing power of the Esthonian currency has in reality diminished.

A further element in the situation is the failure of the last potato crop which has adversely affected the spirit industry. The rise in prices has proved of considerable advantage to the peasant farmer class. On the other hand, owing to the low rates of wages prevailing in Esthonian industry, even a slight increase in prices inflicts considerable hardship on the working classes in the towns. It is extremely doubtful whether the industries can bear the burden of a corresponding increase in wages. These circumstances have led to a cleavage between the urban and rural interests. Representations have been made to the Government by the various groups of the urban population urging a restriction of exports by way of partial prohibition or the levying

of an export duty. As the peasant farmer classes exert no little influence politically, the Government has not so far acceded to these demands.

The number of persons employed in industry in 1922 as compared with the previous year is as follows:—

	1921.		1922.	
	Male.	Female.	Male.	Female.
Children	12	26	6	13
Young persons	412	201	421	276
Adults	16,733	8,268	24,341	10,449

The number of strikes has decreased from 48 in 1921 to 25 in 1922. The industries mainly affected were those of paper and metallurgical work.

VI.—TRANSPORT AND COMMUNICATIONS.

RAILWAYS.

During the first nine months of 1922, 570,313 tons of goods were forwarded on the Esthonian railways, and, during the whole year, the monthly number of passengers borne varied from 177,400 to 487,950. Passenger travel was heaviest from May to September. Esthonia now possesses sufficient rolling stock to meet the normal demand of the country in respect of traffic. Further, in consideration of repairs of rolling stock for Russia, Esthonia has received 10 locomotives by way of payment in kind.

Certain schemes for improving the transport facilities are in contemplation. Of these may be mentioned the construction of a line direct from Dorpat to Petschury on the Russian frontier, thereby saving the present detour through Valk and serving an important agricultural area which is hampered by lack of suitable means of communication. Another scheme is proposed to connect the district surrounding the northern shores of Lake Peipus with the Reval-Narva-Petrograd line at Sonda. A proposal to connect Baltic Port with the narrow gauge line to Pernau has already been put forward.

Actually, the only new line opened for traffic is a short section of narrow gauge track connecting Valk and the stations of Moniste, Taheva and Korküla on the south-east frontier. The adoption of the Thompson Staff system for preventing collisions is reported on the Reval-Narva line to Petrograd. The regulation of the service on the other lines is by telegraph.

It is further proposed this year to provide a service of electric trains between Reval and Nõmme (distance 8 kilometres) and Dorpat and Elva (distance 26 kilometres). The passenger train service is comparatively slow, averaging 40 kilometres per hour.

In the budget for 1923, 1,302 million Esthonian marks have been earmarked for expenditure on railways, the estimated receipts being 900 million Esthonian marks.

WATERWAYS.

The only river of importance in Esthonia is the Narova, which, owing to the falls near Narva, is of value rather as a source of water power than as an inland waterway. The proposal to construct a canal from Lake Peipus to Pernau has been raised, and thereby of making use of the existing rivers, the Embach and the Pernau, and the Lake Wirtsjärvi. Should this scheme be brought into execution it would enhance the value of Pernau as a port, opening up a new hinterland from Viljandi to Dorpat which is not at present served by a railway connection.

It is, however, unlikely that the financial condition of the country will enable this, and the schemes for the expansion of the railway system already noted, to be carried out in the near future.

HARBOURS.

During the year under review several improvements have taken place in the equipment of the port of Reval. This is reflected in the shipping statistics for the year, the details of which will be found in the appendix. The northern mole has been completed and joined to the mainland and additional warehouses provided. A number of these have been erected specially to meet the demands of the transit trade with Russia. Twelve electric cranes manufactured in Germany have been erected, and coal depots are available for bunkering vessels.

The erection of new quays and additional sidings at Baltic Port has enhanced the usefulness of this harbour. The project of converting it into a free port, which was sanctioned by a law passed in July, 1921, will not be realised as this would involve the construction of a second harbour to meet the requirements of the coastal trade. As an alternative it is proposed to provide free storage accommodation. Further, the conditions of the transit trade with Russia at the present time do not appear to justify a more ambitious scheme in this direction.

APPENDIX I.

IMPORTS.

TABLE A.—IMPORTS BY COMMODITIES.

Goods.	Quantity in tons.		Value of 1922 Imports in Millions of E. mks.
	1922.	1921.	
Cereals	11,419	4,348	146·2
Rice	1,545	3,369	45·4
Flour	14,388	12,150	425·1
Groats	900	366	25·7
Herrings	6,401	13,589	112·5
Salted fish	404	847	4·1
Sugar	14,413	11,019	499·3
Salt	24,887	13,359	51·9
Tea	164	77	30·8
Cocoa butter	79	242	6·1
Cocoa	329	24	27·4
Tobacco	632	282	102·3
Wines	86	26	28·0
Sacharine	40	99	32·3
Skins	1,379	700	51·7
Leather	225	106	64·1
Live plants and seeds	359	139	16·5
Timber and timber goods	22,287	9,676	55·3
Cellulose and woodpulp	13,564	5,890	131·2
<i>Metal and Metal Goods.</i>			
Pig iron	1,069	—	8·4
Iron	12,466	8,461	187·8
Steel	1,163	—	22·9
Copper	155	50	14·4
<i>Textiles and Textile Goods.</i>			
Cotton	3,087	1,416	175·6
Wool	421	431	44·2
Cotton cloth	608	—	236·3
Woollen cloth	244	469	205·8
Cotton yarn and thread	109	66	29·1
Silk yarn and thread	1·6	1·3	2·7
Woollen yarn and thread	42	24	10·5
<i>Vehicles, Means of Transport, Machines, Tools.</i>			
Motor cars and trucks	—	259	91·6
Bicycles	—	27	20·9
Boats and other vessels	—	3	20·9
Threshing machines and steam engines	1,118	202	68·4
Tractors	181	171	22·9
Sewing machines	135	60	23·9
Locomotives	345	280	16·5

TABLE A.—IMPORTS BY COMMODITIES—*continued.*

Goods.	Quantity in tons.		Value of 1922 Imports in Millions of E. mks.
	1922.	1921.	
<i>Glass and Glass Ware.</i>			
Glassware	1,532	864	59·6
Faience	445	289	24·5
Porcelain	592	126	16·7
Coal, coke	90,906	26,650	249·5
Crude oil	2,271	163	13·8
Refined oil (kerosene)	7,169	3,779	80·9
Petrol	1,055	635	33·2
Rubber footwear	111	90	24·3
Tanning materials	1,314	455	24·2
Manure	11,410	3,466	39·3
Soda	347	66	4·8
Carbonate of soda	84	90	2·6
Caustic Soda	761	332	18·4
Paints	208	103	50·8

A marked decrease is noticeable in the imports of 1921 in respect of certain goods, as—

Rice, which has decreased from 3,369 to 1,545 tons; herrings—from 13,589 to 6,401 tons; salted fish—from 847 to 404 tons; and saccharine—from 99 to 40 tons.

Wool and carbonate of soda remain unaltered. The import of other goods, however, shows an increase.

The value of the imports in 1922 amounted to 5,589,415,787 E. mks. The heaviest import is sugar, representing 8·9 per cent. of the total, with a value of 499,276,502 E. mks. The following may also be noted:—

Flour	425 million E. mks.	7·6 per cent. of total imports.
Coal and coke	249·5	5·2
Cotton cloth	236·3	4·2
Woollen cloth	205·8	3·7
Iron	187·8	3·2

TABLE B.—IMPORTS ACCORDING TO COUNTRIES OF ORIGIN.

Country of Origin.	Poods.	Esthonian marks.
Belgium	171,730	56,004,720
Denmark	338,578	196,618,226
Central Europe (through Danzig)	790,142	407,703,435
Holland	379,154	56,027,365
United Kingdom	6,377,528	829,696,026
Latvia	524,201	248,798,489
Norway	130,185	3,905,720
France	6,560	9,027,340
Sweden	588,763	150,499,051
Germany	6,893,532	3,059,112,474
Finland	1,347,210	356,467,691
Russia	1,300,613	82,785,765
United States of America	378,069	130,875,330
Other countries	1,980	1,894,155

APPENDIX II.

EXPORTS.

TABLE A.—EXPORTS BY COMMODITIES.

—	1921.	1922.	Value of 1922 Exports in Millions of E. mks.
<i>Foodstuffs.</i>			
	Tons.	Tons.	
Cereals	5,281	21,475	340·13
Rice	99	1,544	50·75
Groats	118	261	5·60
Flour	812	5,780	110·63
Potato	19,270	45,890	136·13
Potato flour	375	1,342	35·25
Spirit	694	1,810	172·20
Meat	113	2,090	119·14
Cheese	34	84	10·27
Butter	126	984	211·69
Eggs	151	311	23·48
Apples	1,196	325	8·66
Chocolate	—	23	5·64
Fodder	—	667	8·41
<i>Live Animals.</i>			
		Number.	
Horses	—	1,148	28·70
Cattle	—	3,005	24·14
Pigs	—	8,545	30·27
<i>Hides and Leather.</i>			
		Tons.	
Hides	0·3	283	23·50
Leather	3	159	40·18
Furs	5·6	17	8·92
Linseed	1,240	3,111	61·42
<i>Timber and Timber Produce.</i>			
Boards and battens	29,732	82,055	417·56
Props	8,852	35,120	91·86
Sleepers	14,336	16,685	79·79
Plywood and joinery works ..	2,828	5,897	277·50
<i>Paper and Printing Matter.</i>			
Paper, printing	10,223	20,532	574·9
<i>Textiles, Textile Produce and Other Articles.</i>			
Flax (fibre)	5,516	9,511	987·86
Tow	—	399	23·32
Cotton goods	—	1,009	407·00
Linen	1,012	229	89·29
Cotton, thread and yarn ..	—	152	52·67
Cement	6,368	20,505	98·48
Soap	—	188	11·57
Matches	13·7	198	10·44

These figures represent 95 per cent, of the total export trade. The total value of the exports in 1922 amounted to 4,811,580,868 E. mks.

Chocolate, soap and cotton yarn appear in 1922 for the first time as export goods.

The principal exports are :—

Flax	.. ..	987·8	million E. mks.	20·4	per cent. of total exports.
Printing paper	.. ..	574·9	.. ..	11·9	.. .. ..
Boards and battens	.. ..	417·6	.. ..	8·7	.. .. ..
Cotton goods	.. ..	407·0	.. ..	8·4	.. .. ..
Cereals	.. ..	340·1	.. ..	7·1	.. .. ..
Plywood and joinery goods	.. ..	277·5	.. ..	5·8	.. .. ..
Butter	.. ..	211·7	.. ..	4·4	.. .. ..

TABLE B.—EXPORTS ACCORDING TO COUNTRIES OF DESTINATION.

Country of Destination.	Poods.	Esthonian Marks.
Belgium	1,084,061	346,902,625
Denmark	402,561	203,757,997
Central Europe (through Danzig) ..	28,256	39,900,523
Holland	1,027,818	85,568,466
United Kingdom	7,322,229	1,071,531,079
Latvia	483,990	310,969,206
Norway	21,816	3,569,500
France	145,672	135,659,180
Sweden	842,853	316,760,160
Germany	1,876,634	609,291,642
Finland	1,412,895	325,913,931
Russia	3,836,029	1,235,122,560
United States of America	65,983	33,374,780
Other countries	234,656	93,259,219

APPENDIX III.

TRADE BETWEEN ESTHONIA AND THE UNITED KINGDOM DURING 1922.

Imports from the United Kingdom.

Articles.	Poods.	Esthonian Marks.
1. Foodstuffs	417,026	191,768,953
2. Live stock	93	73,000
3. Animal products	1,701	5,344,150
4. Plants and seeds	450	281,500
5. Timber and wooden articles	144	510,800
6. Paper and printing matter	17,668	2,646,700
7. Textiles and clothing	163,827	254,360,724
8. Metals and metallic objects	147,673	51,259,627
9. Machinery and spares	43,139	31,526,300
10. Mineral products	57,839	2,526,972
11. Shale, coal, oils and fats	5,409,987	262,433,340
12. Chemical and chemical products	117,100	25,563,560

Exports to the United Kingdom.

1. Foodstuffs	214,513	66,783,408
2. Live stock	number 35	525,000
3. Animal products	1,381	3,232,200
4. Plants and seeds	98,256	31,297,200
5. Timber and wooden articles	6,759,766	709,568,116
6. Paper and printing matter	6,048	2,800,900
7. Textiles and clothing	180,473	240,152,900
8. Metals and metallic objects	1,548	517,500
9. Machinery and spares	49	263,500
10. Mineral products	44,350	3,549,920
11. Shale, coal, oils and fats	704	70,030
12. Chemicals and chemical products	14,503	12,412,755
13. Drapery goods and objects of art	—	—
14. Sundry products unclassified	633	357,650

Fractions of poods have been neglected.

APPENDIX IV.

IMPORTS AND EXPORTS FOR THE MONTHS OF JANUARY AND
FEBRUARY, 1923.

	In Million Estonian Marks.			
	Imports.		Exports.	
	January.	February.	January.	February.
	Agricultural produce ..	89·5	61·7	3·4	1·2
Dairy produce	—	—	32·8	42·6
Fish and preserves ..	—	10·5	—	—
Other foodstuff	95·9	102·4	17·3	0·3
Cattle	—	—	5·5	1·4
Leather and leather goods	10·2	4·6	5·5	3·3
Seeds and plants	0·7	—	4·6	1·0
Timber	2·3	2·4	54·4	32·2
Paper	11·0	9·2	21·0	33·3
Fabrics	32·2	50·5	168·8	209·6
Textiles	44·6	40·2	54·1	50·0
Metals	26·6	10·2	10·1	7·3
Metal goods	37·0	34·2	0·7	—
Agricultural machinery ..	5·2	18·9	—	—
Other machinery	47·4	28·8	2·9	—
Tools	4·3	3·7	0·2	—
Metallic ores	13·2	6·5	0·7	0·4
Coal and coke	35·2	24·5	—	—
Chemical products	25·4	13·1	3·1	2·5
Sundry products	3·8	—	0·2	—

APPENDIX V.

COST OF LIVING IN REVAL.

Comparative Table.

General index number of retail prices of articles of diet only. Percentages expressed with reference to the retail prices for January, 1921.

Months.	Year 1921.	Per cent.	Year 1922.	Per cent.
January	115·8	100·0	85·3	73·5
June	100·2	86·5	84·6	73·0
December	85·1	73·5	92·6	80·0
Year 1923.				
January	92·2	79·6	—	—
February	93·7	80·9	—	—
March	102·3	88·3	—	—

APPENDIX VI.

RETURN OF STEAM VESSELS WHICH ENTERED AND CLEARED IN THE
PORT OF REVAL IN 1922.*Entered—*

Nationality.	With Cargoes.		In Ballast.		Total.	
	No. of Vessels	Net Tonnage.	No. of Vessels	Net Tonnage.	No. of Vessels	Net Tonnage.
British	52	71,666	7	5,604	59	77,270
Danish	25	20,367	11	5,527	36	25,894
Esthonian	110	63,307	30	3,769	140	67,076
Norwegian	47	43,029	5	4,779	52	47,808
Swedish	68	27,452	3	2,421	71	29,873
German	287	181,851	36	14,980	323	196,831
Finnish	277	123,003	30	6,252	307	129,255
American	33	106,565	—	—	33	106,565
Russian	21	6,934	20	16,798	41	23,732
Other Nationalities ..	21	10,628	6	2,901	27	13,529

Cleared—

Nationality.	With Cargoes.		In Ballast.		Total.	
	No. of Vessels	Net Tonnage.	No. of Vessels	Net Tonnage.	No. of Vessels	Net Tonnage.
British	41	45,116	18	31,600	59	76,716
Danish	33	23,275	5	4,631	38	27,906
Esthonian	102	49,621	27	9,815	129	59,436
Norwegian	19	14,848	31	30,208	50	45,056
Swedish	35	14,681	30	14,203	65	28,884
German	191	121,426	130	75,142	321	196,568
Finnish	241	113,378	59	16,597	300	129,975
American	13	38,028	19	65,255	32	103,283
Russian	25	14,376	15	9,262	40	23,638
Other Nationalities ..	14	7,491	11	4,864	25	12,355

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*Austria ..	1s. 6d. (1s. 7½d.)	*Netherlands ..	1s. 3d. (1s. 4½d.)
Belgium ..	3s. 6d. (3s. 8½d.)	Newfoundland ..	9d. (10d.)
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Bulgaria ..	6d. (7d.)	*Norway ..	2s. 3d. (2s. 5d.)
*Canada ..	2s. 3d. (2s. 5d.)	Paraguay ..	1s. 3d. (1s. 4½d.)
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Guatemala ..	1s. 0d. (1s. 1½d.)	*Switzerland ..	1s. 6d. (1s. 10½d.)
*Hungary ..	1s. 0d. (1s. 1½d.)	*Syria ..	9d. (10d.)
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*East Africa ..	1s. 6d. (1s. 7½d.)	*Serb-Croat-Slovene Kingdom	1s. 6d. (1s. 7d.)
*Ecuador ..	9d. (10d.)	*Siam ..	1s. 6d. (1s. 7½d.)
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Finland ..	2s. 0d. (2s. 1d.)	*Sweden ..	2s. 0d. (2s. 1d.)
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Girdler's Lecturer in the University of Cambridge.

Author of 'The English Capital Market.'

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Spectator : ' Deserves careful reading. In his "account of the causes producing rhythmical changes in the activity of business" he is reluctant to attribute the present spell of bad trade wholly to the war. Like the boom of 1919, the slump of 1921-22 was, he thinks, part of a cyclical movement such as we have often experienced at more or less regular intervals of perhaps eight years.'

Scotsman : ' Well reasoned and instructive throughout, it throws out some practical suggestions for checking reckless speculative expansion of business and over-optimistic stimulation in periods of boom.'

Clare Market Review : ' Sets out the main causes which underlie cyclical fluctuation in business activity . . . proposals for lessening the intensity of the trade cycle and its consequent evils of industrial depression and unemployment. Collective control of industry, the education of business men in economics, the rendering of the curtailment of the more speculative operations commercially profitable, the more rapid re-adjustment of wages and interest to profits, the restrictions of prices by the banks : these are discussed interestingly. The book is beautifully printed and must be read.'

Labour Magazine : ' A lucid and most interesting account of the Trade Cycle, deals with the causes which provoke alternating periods of active and inactive business. The last chapter is especially provocative of thought ; it contains suggestions for checking a too excessive growth of business confidence and speculation during the period of a boom and for limiting the intensity of a consequent following depression.'

Labour Leader : ' Interestingly written and lucid analysis. . . . All students of economics, and more especially all students of the unemployment problem, are under a great debt to this Cambridge teacher for writing a stimulating introduction to it.'

Book Post : ' Mr. Lavington, being a serious economist, well-trained in the modern school, offers no infallible quack nostrum to cure the unprofitable excesses of those "Trade Cycles" which afflict the modern industrial world, but he gives instead what is much more useful, viz. : a clear account of their causes and their course according to the best modern research.'

Irish Independent : ' This well-written work deals in a lucid way with the causes producing trade fluctuations. . . . It should deeply interest the commercial man and the economist.'