

Memorandum on the detachment of the German industrial regions (8 September 1945)


Caption: In this summary note, the Economic Affairs Department of the French Foreign Ministry outlines the solution put forward by the French Government concerning international control over and separation of the industrial regions of defeated Germany.

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Detachment of the German industrial regions

The most effective way to prevent Germany permanently from re-establishing its capability for aggression is to detach from its territory the regions containing the major part of its industrial resources: Silesia in the east, the Rhine-Westphalia Basin and the Saar Basin in the west.

Under the Potsdam decisions, that principle has already been applied to Silesia.

It is now incumbent on the United Nations to plan the detachment of the industrial regions of West Germany. France considers that to be an essential element of its security and believes that steps must now be taken to prevent those regions from once again becoming an arsenal, a transit area and a base for attacks on its border or the borders of its Western European allies.

Such detachment requires permanent military occupation of those regions. Temporary occupation and control measures or mandatory performance for a limited period would merely give the illusion of security, since they would cover only the recovery period, when a renascent Germany is in no position to take any offensive action. Any temporary solutions must, therefore, be ruled out.

This memorandum sets out, on the basis of German economic disarmament, the solution proposed by the French Government, the factors underlying it and its benefits for European security.

That solution involves:

1. internationalisation of the Ruhr (map attached);
2. incorporation of the Saar Basin in French customs territory;
3. special arrangements for an intermediate area formed by the left bank of the Rhine, where, for both economic and strategic reasons, France has to assert its specific interests, whilst recognising the interests of Belgium, Luxembourg and the Netherlands.

Accordingly, we must consider the economies in each of those three areas and the implications of their detachment for the economies of Western Europe, of Germany and of the areas themselves.

A. — The Ruhr

1. Economy

The international management committee responsible for the administration of the Ruhr will regulate its production and direct its foreign trade (since the previous trade patterns have to be altered to take account of the new situation).

The economy will need to be able to guarantee a reasonable standard of living for the population.

It will be the task of the international committee to monitor the economic reorganisation of the area, with due regard to:

- (a) the need to reduce steel production, in stages, to eight and then six million tonnes;

(b) the need to bring coal production to the pre-war level as soon as possible and to increase it if the needs of Europe so require;

(c) the closure of some chemical industries;

(d) in accordance with the decisions on German disarmament, the establishment in the Ruhr of certain industries that it would be militarily disadvantageous to keep in the centre of the former Reich (nitrogen — machine tools — electrical and mechanical engineering industries).

It will be for the international management committee to redeploy the local labour force in the various industries and then to decide on the extent to which movement of the population is necessary. At this stage, it seems unlikely that such movement will be on a large scale.

France would be prepared to absorb part of the available manpower, assigning it to work for which it is qualified.

2. Customs arrangements

A customs cordon would be set up between the Ruhr and all the surrounding areas. The main purpose of this system is to enable the international committee to monitor the implementation of the measures that it has adopted.

3. Currency

The economic and political detachment of the Ruhr requires the introduction of a new currency. An issuing bank will be set up for that purpose. The trade balance of the Ruhr may be expected to be in credit. Initially, part of the surplus will be allocated for reparations, and the balance will be used to meet the currency requirements of the rest of Germany.

4. Ownership

The coal mines and the major steel companies are to be owned by international state consortia. A government representative, with the right of veto over major decisions, will need to be appointed to the boards of the other large companies.

The remaining private ownership arrangements will not be altered, save where the past activities of the owners and managers or their subsequent attitude necessitate their removal.

Profits from the nationalised undertakings will be allocated to the local Exchequer.

B. — The Saar Basin

1. Economy

The Saar Basin is an economic entity. Its coal resources provide the coke needed for the iron and steel industry, which obtains its iron supplies almost entirely from Lorraine ore. The economy of the Saar is therefore congruent with the French economy. Since it is also now part of the permanent French occupation zone, arrangements should be made for the Saar to form an economic union with France.

2. Customs arrangements

On the basis of the previous paragraph, the Saar is to be included in French customs territory.

3. Currency

The customs union arrangement makes it desirable for the French franc to be introduced in the Saar.

4. Ownership

Although based on respect for private ownership, the system should not differ from that applied in France.

The mines, which were owned by the Prussian State, will be nationalised. The Saar steel industry is to be incorporated in the French steel industry as a whole, and its undertakings are to become joint Franco-German companies.

C. — The intermediate area

1. Economy

This region, which has a small agricultural production surplus and which, because of the economic disarmament of Germany, can no longer expect Germany to supply the manufactured goods that it requires, will need to orientate its trade towards Western Europe.

2. Customs arrangements

The area will have to be separated from the surrounding areas by a customs cordon. However, plans will need to be made to integrate it gradually into the Western European economy through a system of tariffs and trade agreements.

3. Currency

Since this area will be autonomous, it will require its own currency.

B. — Economic implications of the proposed detachment measures:

1. Effect on the Ruhr Basin

(a) Coal: Given the current state of the European economy, output from coal deposits has to be increased to the maximum, making use of all manpower resources. It will be many years before mine output in the Ruhr is able to meet the demand from its neighbours, particularly since the significant drop in the number of German miners (48 % of the 1938 figure), the departure of a large number of foreign workers and the inevitable hold-ups brought about by redeployment will keep production fairly low for some time to come.

Taking into account the reduction in British exports and the growing needs of the steel industry in Western Europe, particularly France, it will be possible in normal times to absorb a larger volume of coal from the Ruhr than in the past. Italy might also be a major outlet.

That will offset the drop in exports to central and southern Germany.

(b) Steel: Steel production in the Ruhr needs to be reduced to 8 million tonnes in the European reconstruction period and then to 6 million tonnes. Those 6 million tonnes are sufficient to meet the needs of the remaining engineering industries in Germany and to provide a small volume of exports, which the economic recovery of the Western European countries should enable them to absorb.

The cuts in the steel industry of the Basin (restriction to 50 % of pre-war production) are likely to affect nearly a

sixth of the region's working population. These workers will need to be redeployed in the coal mining industry, where they are sorely needed. At a later stage, the Western European States will need to give favourable consideration to the redeployment in their own countries of any surplus manpower.

(c) Textile industry: There can be no objections to the continuation of the textile industry in the Ruhr. It appears to have suffered fairly severely from Allied bombing raids. The industry will, at all events, have to modify its equipment to enable it to process natural raw materials. Ruhr production will, therefore, probably be lower than before the war.

Germany was the main market for this industry. Given the agricultural role assigned to the German economy, that market will be drastically reduced. Ruhr production will have to be geared to cheap goods, which might find some outlets in the Danube region and the Balkans.

(d) Chemical industry

The cutback in the chemical industries results solely from the scrapping of some products for monetary use. Apart from those, the industry produces a very wide range of goods that will never be short of outlets.

(e) Establishment of industries from central Germany

The establishment of those industries can only be of help in resolving the problem of redeploying the Ruhr labour force.

Moreover, those industries will largely retain their traditional markets.

(f) The changes to the Ruhr's economy should not, therefore, have an excessively detrimental effect on the standard of living of the local population.

2. Effect on the Saar Basin

(a) Coal: Under the Treaty of Versailles, France bought over half the Saar's coal. In the current reconstruction period, it would be able to absorb all its output. In normal times, the Saar will be able to increase its exports to Italy and Austria. It does not, therefore, seem necessary to consider transferring manpower, unless there are any political reasons for so doing.

(b) Steel: About 25 % of the working population in the Saar is employed in the steel industry. That industry is mutually dependent on Lorraine ore, for which most of the coke required is obtained locally. The rest is supplied by the Ruhr. The customs union arrangements with France will provide it with sufficient outlets to continue in operation.

(c) Standard of living: The inclusion of the Saar in French customs territory should ensure that its population has a standard of living similar to that in France.

3. Effect on the intermediate area

The intermediate area is able to supply its own agricultural needs, and most of the customers for its industrial products are local. The measures to be applied to it will not, therefore, significantly worsen its position. In fact, the gradual integration of its activities into the Western European economy should help to improve its situation.

4. Effect on non-detached regions in general

As a result of the disarmament measures, all the non-detached German regions will be almost exclusively

agricultural. The detachment of the Ruhr and Saar Basins is, ultimately, only the chief of those disarmament measures. Obviously, the people left entirely under German sovereignty will be impoverished as a result, and the German Government will have to cope with serious manpower redeployment problems. In that respect, it might be necessary to direct part of the German labour force to the Western countries and consider the possibility of an overseas emigration policy.

All these non-detached regions will be faced with a difficult fiscal problem, since the Ruhr made a significant contribution to the German Exchequer. However, the removal of currency charges will facilitate a gradual return to a balanced budget. Moreover, the Exchequer in those regions will receive the sale price in marks of the goods bought with currency provided by the Ruhr.

The disarmament issue should not be viewed solely from the negative point of view of destruction or transfer of industrial plant. The measures that it entails should, given the radical changes in Europe resulting from the war, contribute to a general reorganisation of the European economy.

That reorganisation will largely depend on political developments on the Rhine and in the rest of Europe. The details cannot, therefore, be determined precisely at this stage. However, it is important to consider its general outlines and orientate it towards solutions that will restore harmonised trade.

The plan that has been discussed here has the advantage that it will provide Europe with the necessary guarantees of security in relation to Germany. It is not directed against anyone, and it prepares the ground for a framework flexible enough to allow the combination and coordination of Western Europe's economic strengths.