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GERMAN EXPLOITATION AND ITS POST-WAR CONSEQUENCES

Prepared in the
Information Department of the
Royal Institute of International Affairs

London
THE ROYAL
INSTITUTE OF INTERNATIONAL AFFAIRS

First published February 1944

PRINTED IN GREAT BRITAIN AT
THE BROADWATER PRESS, WELWYN
HERTFORDSHIRE

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EUROPE 1920–1937

INTRODUCTION

A BOOKLET entitled *Europe Under Hitler: In Prospect and Practice,* issued by the Royal Institute of International Affairs in March 1941 and now out of print, laid emphasis on the fact that German economic policy is in two parts—a short-term plan for the duration of the war and a long-term plan for the permanent organization of Europe. The first section was devoted to discussion of the means by which Germany hoped to organize a permanent New Order in Europe, and of the implications of this New Order both for Europe and the world in general. The second section dealt with the exploitation of the occupied countries during the first eighteen months of the war. Since the spring of 1941 the series of events that have occurred has brought striking changes in the situation, and the present booklet does not discuss the implications of a permanent German New Order but Germany's mobilization and exploitation of the resources of occupied Europe up to the autumn of 1943, and some of the problems to be faced during and after liberation.

On June 22, 1941, Germany launched her attack on Russia and on December 11,, 1941, she declared war on the United States, and although, since the spring of 1941, the Germans have expanded the sphere of territories occupied in Europe, they have suffered very severe losses both in Russia and the Mediterranean. As a result of these events and the ever-growing power of the United Nations, the security of the "European fortress" is now threatened, and the Nazis have been forced to concentrate on plans for their immediate war economy and to modify very considerably their long-term policy for a New Order in Europe. While, however, in the economic field increasing emphasis has had to be laid on the needs of a defensive strategy, a part at least of Nazi planning has continued to fall within the framework of a long-term policy for gaining permanent domination over Europe and ultimately over the world. It is the purpose of this booklet to show the extent to which Germany has obtained domination over the countries she has overrun and also over satellite countries, and to indicate briefly how all the resources of such countries have been exploited, not only for Germany's use in

war-time, but also with a view to their peace-time organization. Dr Funk, the Reich Minister of Economics, gave, in 1940, the clearest possible statement of the latter objective in the following words: "The peace-time economy must guarantee to the greater German Reich a maximum of security and to the German people a maximum of consumption of goods in order to increase their welfare. Europe's economics must be directed towards this end."

A number of the territories overrun by the Germans have been absorbed into the greater German Reich, others have been annexed for development as colonies or dependencies, while yet others have been left with a degree of nominal independence under strict German supervision; but in every case the Germans have obtained complete domination over the economic structures of the countries concerned. Either directly or indirectly they have organized under a system of central control all the resources of occupied countries to the advantage of their own economy and into every field of economic life German penetration has been far-reaching. It is obviously impossible in a short space to give more than a very brief survey of how the occupied countries have been organized and their resources, both human and material, exploited. All that is attempted in the first part of the booklet is to indicate in outline how the Nazi network has been spread and how systematic and far-reaching are the control and penetration already achieved. The second part discusses briefly the implications for the post-war period of German domination, and the particular problems that may arise from the manner in which liberation is achieved. It then goes on to describe the work already done and the plans drawn up by the United Nations for relief and rehabilitation. Finally, an indication is given of problems of long-term reconstruction which will remain to be solved after the immediate needs of occupied Europe have been met.

PART I

GERMANY'S DOMINATION OVER OCCUPIED EUROPE

THE ORGANIZATION OF OCCUPIED COUNTRIES

FOR an understanding of Germany's organization and treatment of occupied Europe it is well to bear in mind the true nature and the full scope of German aspirations, as developed in principle and practice. Long before the Nazis came to power there was a Pan-Germanic movement in Germany which developed the theory that "efficient peoples" have a right to dominate the world and to obtain "living space" by means of war if necessary, and at the expense of "inefficient peoples". This same broad belief has been instilled by the Nazis into all German youth to-day, and Nazi policy is based *on* the theory that since the German people claim to be the master race they have the right, if not the duty, to organize Europe for the maximum benefit of the Germanic race. This is the basic principle underlying the organization and treatment of the countries over which Germany has gained domination. The Nazis may change their propaganda to suit the occasion and the circumstances and modify their policy toward this or that question or this or that policy, but their fundamental aim remains the same.

The first step taken by the Germans, as the countries now occupied were overrun one by one, was to set up a strictly military administration, but this has subsequently been replaced in most cases by semi-military or civilian administration or some form of strict control. Broadly speaking, the organization of occupied countries can be divided into three main heads: *(a)* incorporation into the greater German Reich; *(b)* close attachment with a view in some cases to future incorporation and in others to "colonization"; and *(c)* military, semi-military or civilian administration in those countries which still retain at least nominal national independence.[1]

The following countries fall into group *(a)* and have been absorbed into the greater German Reich: Austria; the Sudetenland;

[1] For che story of the occupied countrie . as told in documents submitted by the Allied Nations, see *Europe in Bondage: Reports of the London International Assembly.* Edited by John Armitage. Lindsay Drummond. 1V43.

the Free City of Danzig; all western Poland and Bialystok; Eupen-Malmedy; Luxemburg; Alsace-Lorraine; and small parts of northern Yugoslavia. With a few minor exceptions, in all these territories the administrative system has now been absorbed into that of the Reich proper.

Those countries that fall within group *(b)* and which though not incorporated in the Reich have been what may be termed "appended", have varied systems of administration and control. The Czech Protectorate, which includes Bohemia and Moravia, has a so-called autonomous national Czech Government in Prague and also a Czech civil service and police force. In practice, however, the German Reich Protector, who has under him many different supervisory boards, has absolute power, for he ranks above the Government and above the Czech courts of law. The ultimate future envisaged for the Protectorate would appear to be complete incorporation, for every effort is made to Nazify the country, and already it has been absorbed into the Customs area of the Reich. The position ia the "independent" Slovak State is somewhat different and is to be discussed later.

In the General Government of Poland, which includes those parts of Poland not incorporated in the Reich or into the Ostland, i.e. the central Polish provinces with the two ancient capitals Warsaw and Cracow, there is no Polish Government and only minor posts are held by Poles. The country is divided up into five administrative districts and is ruled over by a German Governor-General, and a so-called Government of German officials has its headquarters in Cracow. The General Government is regarded by the Germans as a *Restgebiet* or residual area, and is officially termed an *Arbeitsreich.* It has been used as a "reserve" to which Jews from all over Europe and Poles from western Poland have been deported, and where the horrors perpetrated by the Nazis are too well known to be dwelt upon. The Occupied Territories in the East, a term which covers the Ostland and the Ukraine, are the immediate concern of a special Ministry in Berlin, created for the purpose of central control and development. The Ostland includes the former Baltic countries, Estonia, Latvia and Lithuania, together with White Ruthenia. It is administered by a German Reichskommis-

sariat in Riga, acting under the direct authority of the Reich Minister in Berlin, and there are German commissioners for each separate country. In the former Baltic States the policy has been adopted of permitting central and some local authorities composed of nationals *to* function, but only under very strict German supervision, and in fact all German orders must be carried out. The Ukraine, in the western areas where the military position was considered secure, has also been administered by a Reichskommissariat directly responsible to Berlin, but here all central and regional administration has been entirely German.[1] The future planned for the Occupied Territories, in the East envisaged their development as German colonies or dependencies. In the Ukraine representatives of the German "Board of the Four Years Plan" started to make plans for maximum exploitation.

Countries which fall within group (c) and have been neither absorbed into nor appended to the Reich are the western countries—Norway, Denmark, the Netherlands, Belgium and France—and also parts of Greece and Yugoslavia. The form of German administration for these different territories is of varied character. In both Norway and the Netherlands there are Reichskommissars, who have jurisdiction over German civil administration. In Norway, the nominally independent National Government of Quisling exists, but in practice has little or no independent authority. In the Netherlands there is no similar quisling regime and civil administration is consequently in German hands to a greater extent than in Norway. The position in the Netherlands differs from that of other occupied countries in the west in that the Germans have removed the Customs barriers between the two countries. In both Norway and the Netherlands, apart from the civilian administration, there are German military authorities, under high German command, so that control is of a semi-military character. The position in Denmark was quite different, for no German civil or military administrative system existed. Both the Danish Government and the Danish civil administration were permitted to function. Germany's interest in Denmark's foreign affairs and in the economic exploitation of the

[1] The area of the U.S.S.R. between the Dniester and the BUG has been taken over not by the Germans but by the Rumanians and is incorporated in Rumania.

country was, however, represented by various German delegates and plenipotentiaries. In October 1942 the German Minister was replaced by a high official of the Gestapo acting as a plenipotentiary. Even Denmark, therefore, was by no means left as a free country. At the end of August 1943 the apparent acquiescence to the German occupation, long resented by the Danish people, disappeared. Open resistance and sabotage broke out and German martial law was declared. Thus ended the last vestige of so-called Danish co-operation.

Belgium is under German military administration and though local authorities still function they have little independent power. Burgomasters, deputy mayors, magistrates and other officials who at different times have protested against German orders have more often than not been imprisoned or dismissed; but, though control is far-reaching, the protests raised by the Belgian magistrature have had the effect of gaining some important concessions in their favour. From France, Alsace-Lorraine has been definitely cut off and absorbed into the German Reich, and two of the northern departments have been split off to form one administrative unit with Belgium. Apart from this the whole of the mainland of France is now under German military occupation. The line of demarcation between occupied and unoccupied zones which came into existence at the time of the Franco-German Armistice virtually disappeared after November 17, 1942, following the landing of the United Nations forces in North Africa. By the constitutional, legal and political changes imposed on France by the Vichy Government, acting under the influence of their Nazi masters, the country has lost all political freedom. Laval, who has openly declared his intention of co-operating fully with the Nazis, has, since the German occupation of the whole of France, been granted new powers* by the Vichy Government enabling him to make laws and decrees on his signature alone. French local authorities still function and are nominally responsible to the Vichy Government, but in practice all policy is centrally controlled by the German Government, and all orders given by the German military authorities on the spot must be carried out.

The long-term aspirations of the Nazis as regards the western countries are not wholly clear. Holland is rather a special case, for the Dutch people are apparently considered to be of Germanic race.

and it seems that the original Nazi intention was that **they** might ultimately be allowed some small share in the benefits to be gained by the establishment of the New Order, particularly in the eastern regions of Europe. What part the Scandinavian countries were to play is not quite clear, but it appears probable that it was hoped that from Nordic peoples, considered to be closely allied to the Germanic race, willing co-operation in German planning might be obtained. In Belgium a first step in gaining control was to exploit the fact that the population is composed of two peoples speaking different languages. Here it was probably hoped that through influence exerted on' Flemish nationalists the whole country might ultimately be Germanized. There is little clear evidence of what part France was to play in the New Order, but it seems obvious that even if she was to be left her independence she was to be kept subservient to Germany and should be so weakened economically that she would have no power to maintain a strong armament industry or to offer resistance.

In Greece the Germans immediately determined on a policy of territorial dismemberment and the country was divided up into three zones. Central Macedonia, including Salonika, and the islands of Lemnos, Mytilene and Chios remained under German military occupation. Western Thrace and eastern Macedonia up to the River Struma, including the islands of Thasos and Samothrace, were handed to the Bulgarians and have been unofficially annexed to Bulgaria. A belt immediately west of the Turkish border was put under special military administration. The Ionian Islands, although under Greek civil administration, remained under Italian military occupation. All the rest of Greece, including the remaining islands, was also left under Greek civil administration, with Germans and Italians, particularly the former, retaining control over all the more important economic and strategic factors. In Crete, though an Italian division was permitted to land, control has always remained in German hands.

A similar policy of dismemberment was carried out in Yugoslavia as in Greece, with the difference that the Germans claim that Yugoslavia ceased to exist with the revolt of March 27, 1941. Here Germany allowed Italy and other satellite powers to have a share in

territorial gains. Of the pre-war Yugoslavia a wedge of territory in the east, broadening from Radujevac on the Danube to Ohrida in the south-west, was handed over to Bulgaria. Albania (assimilated with the Italian administrative system) received the Yugoslav province of Kosovo and some intermediate territory. Italy herself took the hinterland of Zara, including Split, Kotor (Cattaro), and south-western Slovenia (Ljubljana). Northern Slovenia was absorbed into the German Reich, while Baranja and Medjumurje in the north and also the Ba£ka district of the Vojvodina were placed under Hungarian administration. The remainder of Serbia was placed under the German Military Command with a Serbian civil Government, while the former Yugoslav portion of the Banat remained entirely under German military control. Montenegro (less the Kotor area) had a separate Governor and was under close Italian supervision. Croatia was made into an "independent State", bounded on the west by the Adriatic and the new Italian provinces of Ljubljana and Zara. A definite result of this dismemberment of Yugoslavia was to arouse latent animosity between Serbs and Croats. A state of confusion was thus created, and where there have been puppet Governments these appear to have been entirely powerless to maintain law and order. The Axis Powers in fact organized both the political and economic life of dismembered Yugoslavia for their own benefit.

Since the surrender of Italy on September 3, 1943, and her subsequent declaration of war against Germany, the position in Greece and Yugoslavia has changed. The Italians are no longer co-operating in the occupation, and the Germans are left with the extra task of occupying not only Greek and Yugoslav territories formerly held by the Italians, but also of exercising control in northern Italy.

Slovakia (excluding Carpatho-Ukraine incorporated in Hungary since March 1939) retains an official status of "independence" but the puppet Government works in close collaboration with the Nazis and in practice is kept under close supervision. Slovakia, like Croatia, has signed as an "independent State" the Anti-Comintern Pact, together with the other satellite Powers of Europe.

The above paragraphs give only the barest outline of German organization of occupied countries and the methods of administra-

tion. It is clear, however, that, whether by military or political measures, taken either with or without the connivance of puppet Governments, the Germans have bereft all of the occupied countries of their freedom. Law and justice have been swept away and the German endeavour has been to replace liberty by the establishment of the Nazi system of despotic rule. Moreover, all the resources of each country, both material and human, have been mobilized for the benefit of Germany and often transferred to Germany. All resistance to Nazi policy is dealt with by unscrupulous and often the most brutal measures, including slaughter, imprisonment, and deportation.

MOBILIZATION OF EUROPEAN RESOURCES

The domination of the Germans over the greater part of Continental Europe means they have gained control over practically all the resources of the Continent. Over the countries absorbed into Greater Germany and other conquered countries they have the direct power to enforce their control, whilst the policy they adopt towards so-called allied Axis countries is in reality very little different, for these countries are unable to resist the extreme pressure applied. Italy, for instance, was never strong enough, cither in the military or the economic sense alone, to be able to maintain real independence; in Rumania, German economic penetration is widespread and nearly if not quite as far-reaching as in occupied countries. The neutral countries are the best off in that, to a certain extent, they are able to resist penetration and pressure; but under blockade and other war conditions even the neutrals can only hope to maintain their economic life by a diversion of a high proportion of their normal trade to Germany or to countries under her domination. For example, Sweden is now entirely dependent for her supplies of coal—and for many other commodities—on imports from Germany, and must in return continue to export to the Reich high-grade iron ore and other materials urgently required for the German war economy. Continental Europe, as a whole, has been taking roughly about two-thirds of Sweden's export trade, of which Germany receives some half. Switzerland, completely hemmed in, can only exist by an exchange of goods with Germany and occupied

or satellite countries, and her export industries are of necessity providing the German war machine with valuable supplies.

Owing to developments in their campaign against the U.S.S.R. and in the Mediterranean, and the prospect of widespread invasion of their European "fortress" by the forces of the United Nations, the Germans have been forced to concentrate more on short-term plans for the mobilization of resources for their immediate war effort than on their long-term policy for the much-talked-of permanent New Order in Europe. Once Germany has the power to drain from any country all that it can provide, the Nazis have few, if any scruples as to the methods they use in applying this power. Their sole concern is to obtain maximum benefits for Germany. The Continent is thus regarded as an area of which the utmost use must be made and the organization of all resources is centrally planned and correlated in Berlin. The factors which govern the economic policy adopted for any territory are the current requirements of the German war machine, and the need for the maintenance and security of the German Home Front. Little thought is given to the welfare of the territory concerned, or local needs for consumption goods, except in so far as it is deemed necessary in Germany's interest to maintain workers' productive capacity; for example, extra rations are given to Belgian and French miners. In order to derive the maximum benefit for the Reich, the Nazis take into account such factors as the nature of the local economy, the amount and type of manufacture available, transport facilities and electric power. In some cases it may be considered more advantageous to transport materials to occupied industrial territories to be used in local industries and returned to the Reich in form of manufactures; while in other cases it is thought more profitable to transport foreign labour to work within the Reich. The final determining factor is a comparative evaluation of the amount of available man-power, fuel, natural resources and transport in a given area so as to get the maximum from it.

Man-Power

A shortage of man-power is the fundamental basis of Germany's war economy problems. As early as the spring of 1942, Sauckel, the

newly appointed German Controller of Labour, stated that Germany was faced with the greatest labour problem of all time. Since then many events have occurred to intensify difficulties. The Wehrmacht has suffered very severe losses in men and material in Russia and also in the Mediterranean, and the need for replacements has been urgent at a time when, owing to the growing strength of the United Nations, the general commitments of the Reich have been increased. By a Decree of January 27,1943, total mobilization within the Reich of all men between the ages of 16 and 65 and women between 17 and 45 for compulsory labour was brought into force, in order that*men already employed on essential work might be released for the fighting services. This compulsion of women was the first large-scale official departure from the Nazi ideological tenet that women should be kept in the home; the German women have, however, apparently found numerous means of avoiding service, since the first six months of the application of the decree yielded only some 300,000, a figure far below the potential. It is generally admitted that the calling up of labour on essential work was bound to lead to a considerable lowering of productive efficiency. In the autumn of 1943 Speer, the Minister for Armaments and War Production, demanded still greater mobilization of labour in order to provide at least another 100,000 workers. In all the circumstances it is no cause for surprise that more and more intensive drives have been made to exploit foreign labour to the maximum.

Up to the middle of 1942, while open compulsion and mass deportation had already been used to recruit foreign labour from eastern Europe, in the western occupied countries the methods employed were mainly restricted to propaganda and various forms of indirect pressure, although Norway and the Netherlands, like Poland, had been subjected to labour conscription. The present system of maximum exploitation is to be found within the framework of Sauckel's decree of August 22, 1942, when all pretence of "voluntary" recruitment was abandoned and the German labour authorities were given wide powers of compulsion. The main principle of this decree was that available labour of the territories occupied by the German armed forces, in so far as they are under German administration, must be used primarily to satisfy the re-

quirements of the war machine within the Reich. Within the occupied countries themselves it must be employed only in the following order of priority: (i) for essential orders of the troops, of the occupation authorities and of civil authorities; (ii) for German armament orders; (iii) for food supply and agricultural tasks; (iv) for industrial tasks in the German interest outside the armament industries; and (v) for industrial tasks in the interests of the population of the territory in question. Following the fuller mobilization of labour in Germany in the early part of 1943 the principles of the Sauckel decree have been applied with ever-increasing stringency.

The method and intensity of applying conscription in the different occupied countries—apart from the wholesale compulsion adopted in eastern Europe—may have varied in detail, but in all countries, with the exception of Denmark, where there has been unemployment, enforcement has been ruthless. The following are some examples of the lengths to which conscription has been carried in western countries.

In Belgium, by an Order of the German Military Commander of Belgium and Northern France, dated October 7, 1942, all men between the ages of 18 and 50 and all unmarried women between the ages of 21 and 35 became liable for conscription for work in Germany. Workers unable to prove their employment to be of importance to the Reich may at any time find themselves compulsorily transferred to such work in their own country or may be deported to work in other occupied territory or in Germany. All unemployed workers—and following Nazi economic policy in Belgium there was an increase in unemployment—arc forced to accept work in Germany or face the alternative of having their relief cards withdrawn and, in consequence, destitution and starvation. Much the same policy is applied to all who attempt resistance. Transportations and deportations have thus been carried out on a large scale and some 400,000 Belgian workers have been requisitioned and sent to Germany and elsewhere.

In France, the Germans have the collaboration of the Vichy Government in their policy of exacting forced labour. Until shortly before the extended occupation in November 1942 there was still a voluntary element in the recruitment from France, but on Sep-

tember 4, 1942, a French law was passed governing conscription, and by November 1942 recruitment had been increased as a result of this law's coming into operation. The voluntary element thus disappeared and since March 1943, by a series of decrees issued by Vichy—as represented by Laval—every effort has been made to harness by compulsion all French workers to the German war effort, and the increasing resistance has been dealt with by the Nazis by most violent methods. No exact figures for the number of French workers in the Reich are available. It seems probable that the present total qf skilled and unskilled men and also women must be some 600,000 or more, in addition to over a million prisoners of war. Laval has openly collaborated with the Germans and given every encouragement to the drafting to Germany of complete teams of workers and technicians from French factories, while the Germans themselves resort to various drastic measures for rounding up all available labour. In France as in Belgium no able-bodied individual can find safety from this form of persecution and there is no legal redress.

The situation in Holland is revealed by a quotation from a pastoral letter of the Dutch Roman Catholic bishops, read in all Catholic churches in the Netherlands on May 16, 1943: "Greater than the privations which assume in many cases the character of dire want is the suffering caused by deportation and enforced employment abroad. Now the limit has been reached. All able-bodied men who can be spared are to be deported. This is deportation on a larger scale than the Christian world has ever known." The reading of this letter followed the general strike declared throughout Holland in resistance to new German measures of internment and deportation and the imposition of martial law as a counter-measure.

The general principle of Germany's foreign labour policy was most aptly summed up by Sauckel when he visited Brussels on January 14, 1943. He claimed that Germany has the absolute right and even the duty to mobilize Europe in the same measure that she is sacrificing her own blood.

The total number of foreign workers within the 1939 boundaries of Germany, including both civilians and employed prisoners of war, had reached by the autumn of 1943 six to seven million.

They form about one-fifth of the total number of gainfully occupied persons, and in certain sections of the armament industry account for two-thirds or more of the workers employed. Poles and Russians, deported wholesale from their own countries, form the biggest groups numerically, but a large number of skilled and other workers have been drawn from the various conquered countries, such as France, Belgium, and the Netherlands. The satellite countries have also been called upon to provide a contribution of skilled workers. The number of Italian workers had fallen by August 1943 to a low point, as many had returned to Italy. There is little doubt, however, that with the fall of Italy and also the new man-power problems Germany has to face, a fresh call is being made for Italian workers. It seems somewhat doubtful whether the deportation of foreign labour to Germany can be carried much further with any economic advantage to the Reich, for labour is needed by the German war economy outside the Reich for employment in essential industries and agriculture and in large numbers for the building of fortifications, etc. For example, in Norway it has suited the Nazis best to employ conscripted Norwegian workers in their own country and apparently there has been no large scale deportation to the Reich. Forced labour from any country is liable to be employed in any of the occupied countries. Thus, all men in the Netherlands may be put to work on fortifications, either within their own country or another conquered territory; in Norway, Russians and Danes are employed, while France has Belgian workers and several thousand Russian miners. There are many other such instances.

While the Germans have been forced by acute shortage of man-power to employ foreign labour on an extensive scale, this cannot be done without risk. It must lay open the way to sabotage, and the employment within the Reich of forced labour, not in thousands but in millions, must create a grave potential danger. It is open to question whether the increased drive for the deportation of young men to the Reich may not at least in part be due to anxiety for their withdrawal from areas threatened by invasion and liberation by the armed forces of the United Nations. There can be no doubt, for instance, of the significance of the German policy of interning Dutch army personnel.

Fuel and Power

The main feature of the fuel and power situation in Europe is the enormous demand created by Germany's war economy, together with the shortages resulting from the British blockade of overseas supplies of oil and also raw materials. The extensive development of substitute raw materials, mainly based on coal and wood, and the power requirements of industry, as well as the demands made by transport and the armed forces, have together placed a tremendous burden on available supplies of coal, wood and electricity. It is estimated that the production of substitutes alone demands a third of the total output of electricity in the Reich and that the amount of coal (and coal equivalent of lignite) used for fuel and basic raw material is probably equal to about one-fifth of the total output.

Germany has gained control, either direct or indirect, over all the main resources of coal in Continental Europe, but apparently has been unable to increase production to any appreciable extent. Indeed, output in Belgium actually decreased by some 20 per cent. With the heavy German demand there is therefore an acute shortage of coal in all countries. France, for instance, required before the war to import about one-third of her consumption needs, which amounted to about 70,000,000 tons. Yet, with no increase in production and imports reduced to a minimum, she may be called upon to make certain deliveries of coal to the German occupation authorities. The volume of French industrial production even in 1941 was estimated to have fallen to 40 per cent below the pre-war level, and this can be attributed not only to a scarcity of raw materials but also to the coal and power shortage. Another example is the case of Denmark, normally almost entirely dependent on imported coal supplies. These are now so small that the severe shortage is a serious threat to all industrial activity not working for the Reich. Lignite, a less productive source of power than coal, is to be found in most countries of central and southern Europe, and great endeavours are being made to increase both its production and use. In countries where there are ample peat resources—such as the Netherlands, Denmark and France—these are being developed and exploited on an increasing scale. Although peat has a much lower

calorific value than coal or even lignite, there is no alternative but to use it as fuel for gas-generators, for domestic heating, and in some cases even to generate electricity.

The main centres of water-power in Europe are to be found in Switzerland, Norway, Sweden, Italy, Spain and southern France. In these and other countries hydro-electric plants have been extended since the beginning of the war. Where the Germans think it advantageous they are endeavouring to develop the resources of water-power over which they have gained control. In Norway, for instance, where potential water-power resources are very great, the Germans, realizing that any extension in the valuable economic resources of that country depended on sufficient power; laid plans for the extensive development of this potential. A shortage of skilled labour and material, and also sabotage, have, however, operated against the completion of these plans.

Transport

The importance of transport in the Nazi war economy can be summed up in the words of Dr Ley, who, on October 29,1941, made the following statement: "For our production of arms, foodstuffs and articles of every description, transport is one of the nation's lifelines an4 if it collapses all other endeavours are in vain." The whole transport system under the control of the Germans is now suffering from severe strain. On the Russian front thousands of miles of railway were taken over, but the Russians, by withdrawing or destroying locomotives and rolling-stock for their broad-gauge track, forced the Germans to make adjustments and provide not only staff but motive power and rolling-stock from their own resources. The *Frankfurter Zeitung* of June 4, 1942, stated that "the needs of transport have assumed dimensions which it was quite impossible to foresee, and the increase of rolling-stock has been insignificant in comparison with the expansion of traffic." Although as a result of the Russian counter-offensive Germany's lines of communication in the U.S.S.R. have been greatly shortened and to that extent transport difficulties have been eased, on the other hand the loss of railway material in the Russian campaign during and since the winter of 1942-43, together with the increased aerial attacks in the

west on production plants, transport centres and trains must have created new transport problems. Moreover, the intensification of the British blockade and of the bombing of shipping and harbours means that goods traffic between Germany and Italy, the Balkans, Scandinavia and on other routes has become increasingly dependent on rail transport. The intensive locomotive building programme put into force by the Germans is significant of the position. While some alleviation to rail transport can be obtained by the use of inland waterways, motor transport has had to be cut to the barest minimum in order to make available for Germany's armed forces maximum supplies of motor fuel and other oils.

In order to deal with the highly complex problem of transport the whole transport system of occupied countries is centrally organized by the Reich Minister of Transport in Berlin, assisted by an advisory council comprising principal Party leaders and officials responsible for all the different branches of war economy. The railways of all the territories absorbed within the Reich have been incorporated into the German State Railway system. A nominally independent administration, the Ostbahn, with German officials and supervisory staff, has been set up to [work the railways in the General Government of Poland and several divisional headquarters were established to operate lines in occupied. Russia. In other occupied territories operation seemS to have been left largely in the hands of former administrations. In France, Belgium, the Netherlands, Norway and the Balkans, military traffic control offices organize German traffic requirements, which must be given absolute priority. The Central Traffic Organization in Berlin allocates all loading space and decides all priorities. Both in Germany and in all the foreign countries ordinary passenger services have been reduced to an absolute minimum. For some time the practice was adopted of loading goods wagons to well above the normal maximum, but in June 1943 an order was given by the German Ministry of Transport that the practice was to be abandoned; presumably the disadvantages of constant breakdowns were found to outweigh the advantages of overloading, and it is thought probable that a decline in industrial production, mainly as a result of air attack, also influenced the decision.

In harmony wijh Nazi economic policy of exploitation, large numbers of locomotives and rolling-stock have been requisitioned from France, Belgium, the Netherlands and other countries. Germany is reported to have taken about a third of the French locomotives, including the most modern, as well as a great number of railway trucks. By the end of 1942 she had requisitioned about a quarter of the pre-war locomotives and rolling stock of Belgium. From some countries—as, for instance, France—even sections of track have been taken. In general, the railways of occupied Europe are being taxed and drained to the limit, quite regardless of ultimate, and indeed immediate, deterioration.

Sabotage is an increasingly important element in the European transport picture—striking results have been achieved in many countries including occupied Russia, Poland, Greece, Yugoslavia and all the western countries.

Agriculture

The central aim of the Nazis has been to obtain from every area under their control the maximum of agricultural production needed for their own requirements. This involves an adjustment of production to serve Germany's special needs, compulsory delivery at stable prices, the control of harvesting and heavy penalties for any breach of these regulations.

The flow of all agricultural products from the producer to the consumer, the allocation of feeding stuffs, fertilizers and other farm requirements is strictly controlled in all occupied countries by a far-reaching administrative system, which operates side by side with the organization of food rationing. In countries where agricultural institutions, such as farmers' societies, co-operatives or State organizations, existed, these have been transformed or added to, while in other countries new agencies have been set up. To these associations now controlled by the Germans every farmer must compulsorily belong. The associations which have central, provincial and local branches have the right to dispose of all and every kind of farm produce, except the small quota which the farmer is allowed to keep for his own use, and also have the task, together with the Ministry of Food and/or Ministry of Agriculture, of fixing

prices. Special regulations are enforced for the slaughter of livestock and the rationing of feeding stuffs. For the marketing and final distribution of all foodstuffs special State marketing organizations have been set up.

A study of statistics of the production and trade of Continental Europe, excluding the U.S.S.R. and Turkey, before the war, shows that the main weakness in self-sufficiency was the shortage of fats and of the closely related factor, animal feeding stuffs. With supplies from overseas cut off, the chief feature of Germany's agricultural difficulties is therefore the need to replace imports of fats, oil seeds and feeding stuffs. The agricultural economy of the various groups of countries, however, presents difficulties. For the most part, the northern and western countries of Europe are normally net importers of foodstuffs, including oil cakes, oil seeds and certain cereals, a large part of which are used for cattle fodder. South-eastern Europe, on the other hand, was normally a net exporter of agricultural products, but here, largely owing to agricultural overpopulation and backward methods of cultivation, the crop yield per acre is not more than about half that of the northern countries, where the standard of living is much higher, and farming methods are more efficient. The long-term agricultural policy of the Nazis has been focussed on an endeavour to increase production in the low-yield areas, while at the same time making agricultural adjustments in western countries, as, for instance, in the Netherlands.

In south-eastern Europe, the Nazis have been trying to solve their fats and feeding stuffs problem by inducing the satellite Governments to execute German plans for the increased production of oil seeds. Monopolies have been obtained for German trading firms, such as "Solagra" in Rumania, while special inducements are offered to farmers to expand their acreage under oil seeds and to deliver up their crops. Endeavours have also been made to reorganize the marketing system. Many factors have, however, operated against the success of agricultural planning in south-eastern Europe. The mobilization of men and animals in Rumania and Hungary for the Russian campaign has hit cultivation very hard, and it is possible that the recall of many satellite troops from the Russian front is not unconnected with agricultural problems. To increase

production on any considerable scale, agricultural machinery is required for use in suitable areas in the low-yield countries, and this the Reich is not in a position to supply in very large quantities, although a certain amount has been sent to Rumania. The shortage of petroleum supplies is probably also a limiting factor in extending the use of tractors. Other general difficulties include a shortage of seed and a deficiency in fertilizers. Finally, the introduction of new methods and new crops creates little enthusiasm among peasants, and the control of small-scale farming and the enforcement of regulations in countries where thousands of small farms are involved are extremely difficult. Hoarding of crop yields is by no means uncommon.

The adjustment of agricultural economy in western occupied territories has been largely necessitated by the shortage of feeding stuffs in Europe, which has involved a compulsory decrease in draught animals, cattle, pigs, and other livestock. In the Netherlands, for instance, normally an important exporter of high-class dairy products, about a quarter of the milch cows have had to be slaughtered, and, moreover, the milk yield per cow has fallen considerably. To a lesser extent the same applies to Denmark. The slaughter of livestock has been general throughout Europe, and in most countries there has been a decline in cattle, a falling off in milk yield and a heavy drop in the number of pigs and poultry. Milk production, taking Europe as a whole, is believed to have fallen by perhaps a third. Although the Germans gained temporary benefit from cattle slaughter in the form of ample supplies of meat, the meat potential in Europe has been seriously reduced. An interesting development in western countries has been the great expansion in the cultivation of oil seeds such as rape. In France, for instance, the area under rape rose from 7,500 hectares in 1939 to some 200,000 hectares in 1943. In general the agricultural policy of the Germans in the western countries is not conducive to obtaining willing co-operation from farmers for, more particularly in the Scandinavian countries and in the Netherlands, it involves disorganization of the whole basis of high grade agricultural economy. The Nazi effort thoroughly to Germanize Dutch farmers in order that, as members of the Germanic race, they may play a part in the agricultural exploitation of

eastern Europe for the ultimate benefit of Germany has met with little enthusiasm.

Owing to unfavourable climatic conditions and other factors, harvests until 1943, more particularly in south-east Europe, were not good. Exports of grain through the Balkans were very small and Germany obtained only about one-fifth of the pre-war total. The fats and feeding stuff problem also remained acute, for the production of oil-seeds was not sufficient to replace imports from overseas, and owing to the continued lack of feeding stuffs there was also a deficiency in animal fats. Improved weather conditions in 1943 more than compensated for shortages of labour, fertilizers and farming equipment, and the yield of crops, more particularly of grain, was good. In consequence of the increase in supplies it was possible to raise the bread ration in many countries including not only the Reich itself but France and Belgium. As a result of good harvests and the expanded oil seed acreage the position as regards vegetable oil also improved.

Raw Materials and Industry

Before the war, among the more important shortages in the industrial raw materials of Continental Europe, excluding the U.S.S.R. and Turkey, were natural textile fibres (more especially cotton and wool), rubber, manganese, copper, tin, and such metals as chrome, molybdenum, nickel, .etc., required for the manufacture of special steels. Every effort has been made by the Germans to exploit to the full all essential materials over which they have gained control, as, for instance, the manganese of Nikopol in the Ukraine, the chrome resources of Greece, copper in the Bor mines of Yugoslavia, bauxite in southern France, and the water-power, chemicals and molybdenum available in Norway. In spite of the opening of mines and exploitation of resources the lack of certain raw materials is still a problem. The effective loss of manganese resources at Nikopol and the growing destruction in the west by bombing of various sources of raw materials as, for instance, the vital molybdenum mines in Norway, must enhance difficulties. To a very large extent it is possible to overcome deficiencies in natural resources of raw materials by concentration on scientific research and the widespread

development of all kinds of *Ersatz* materials and the use of alternative metals, as, for instance, the replacement of copper by aluminium alloys. In Germany the production of *Ersatz* materials has reached an unprecedented scale, but the methods necessary for their production involve, as previously mentioned, a very high expenditure of coal, etc., both for power and basic raw materials. In all the occupied countries the output of essential domestic raw materials is requisitioned for the use of the Reich, either in Germany or wherever required. Industry is allotted raw materials on a system of the strictest priority according to the needs of the German war economy.

There is clear indication that the political status of the areas overrun by the Germans is very closely related to their economic structure. Thus the more highly industrialized a region is, so much the closer is it brought within the Reich and the tighter the control; in Poland, the areas annexed to the Reich contain almost the whole of Polish industry, while in the west, Alsace-Lorraine has been incorporated within the Reich, which takes from her her main iron district and a principal textile area, and Luxembourg, with its important steel industry, has also been absorbed. Where industry is to be found in a country not entirely incorporated in the Reich, the German policy, already carried very far, is to secure control if not directly then by various indirect but equally effective means.

In every conquered country the kind of goods that may be produced by domestic industries is dictated by the Germans, and the development and even maintenance of industry not considered to be useful for the purposes of the Reich are strongly discouraged, if not rendered impossible. Domestic requirements for consumption goods are considered of little importance and a high proportion of factories whose output is not of use to the Nazis are faced with no alternative but to close down. In France alone some 10,000 firms are said to be closed. Industries considered vital to the German economy are on the other hand given every encouragement; they are allotted raw materials, issued with orders, and are forced to make their contribution to the Nazi war effort. Since the occupation of the Netherlands, for instance, German orders in that country have exceeded 3 milliard Reichsmarks, and orders for Nazi requirements

placed with French industry up to the middle of 1942 had already amounted to 100 milliard francs. In their attempt to avoid the effects of bombing, the Germans have been forced to transfer plant from the west to Silesia, Czechoslovakia and Austria, and in consequence industry in these areas, once considered invulnerable, has been expanding. How industry in all the occupied countries is being exploited financially by the Germans is to be discussed later.

The Position in Occupied Russia

It is worth considering the situation in Occupied Russia apart from that in other occupied countries, for here it is by no means the same. In the other occupied countries which the Germans have overrun, their conquest has been complete, and in each country they have found the economic structure more or less intact. In occupied Russia this has not been the case. In October 1941, Dr Funk, German Minister of Economic Affairs, outlined long-term plans for the development by Germany of eastern Europe and said that the eastern economic region must include Soviet Russia. He depicted the task economic leaders would be faced with in order to dovetail this vast region into the economy of the New Order, but ended by saying: "For the time being, however, all the potentialities of this area, so rich in war materials, must serve our war effort in accordance with the demand of the war economy and the Military Command." The great hopes of the Germans of obtaining immediate and substantial gains for their war economy from the natural and industrial wealth of the U.S.S.R., have, however, been frustrated. Even while their offensive continued they failed to obtain real security behind a firmly established *Ostwall* and since the Russian counter-offensive they have lost over two-thirds of the territory they once occupied. Moreover, the Russians, when retreating before the German offensive, adopted a deliberate policy of "scorched earth", removed or destroyed as far as possible all important industries, and withdrew from industrial towns a high percentage of civilian labour, often including practically all skilled labour. By the withdrawal of labour the Russians succeeded in making it difficult, more particularly in the industrial field, for the Nazis to execute plans for rapid economic development.

In a speech made on October 4,1942, Goring endeavoured to give the impression that the occupation of territories in the U.S.S.R. would ultimately cure all the agricultural weaknesses in Europe. He maintained that with the possession of fertile territories in the U.S.S.R. all that was now needed was organization. He was obliged to add, however, "the Russians have burnt everything." For German war economy the restoration of agricultural production and the exploitation of the rich agricultural resources in the Ukraine are of primary importance, but exactly how far the Germans were ever successful in developing their agricultural plans it is impossible to say. That they made some progress in restoring production seems certain, but it is doubtful whether at any time they have been able to obtain from agricultural production in the Ukraine much more than sufficient to meet the major proportion of the food demands of the occupying forces, and in addition limited export deliveries. Special attention has been given to industrial crops such as cotton and flax, but the 1942 cotton crop was a failure. Although the need for agricultural exports was pressing, the Germans found themselves faced with difficulties in supplying agricultural machinery, fuel for tractors and vehicles, supervisory staff, and also with a shortage of local agricultural labour.

The Germans during their withdrawal from large parts of the rich agricultural territories of the U.S.S.R. have presumably removed with them as far as possible the 1943 crops. Ultimately however their withdrawal must throw the extra burden of feeding the German army in the east, together with the Russian civilians forced to evacuate with them, on the agricultural economy of other countries within the contracted frontiers of the European "fortress".

As regards raw materials, apart from such stocks as the Russians were forced to leave, the gain appears to have been small. Domestic coal supplies have been insufficient and coal has had to be imported from Silesia. At the iron mines of Krivoi Rog it apparently was not found possible to resume extensive production, since the necessary coking coal for steel production could not be obtained from the Donetz Basin, which remained within the battle zone. The most important gain was the manganese at Nikopol. On the industrial side, endeavours were made to restart existing industries, where

this was practicable, and also to establish new industries; but this necessitated the importation of machinery and of experts, technicians and skilled labour. In the case of heavy industries, the lack of a local steel production base hindered their development. With the loss of Dnepropetrovsk, Zaporozhe and the great Dneproges dam in October 1943—and the prospective loss of Krivoi Rog and Nikopol—the Germans have been deprived of any hope of profiting from great industrial centres in the U.S.S.R. The development of any industries of real significance has been rendered impossible, and during their retreat the Germans are endeavouring to leave in their wake devastation and destruction in the areas they are forced to evacuate.

From the Ukraine, forced deportations of slave labour to Germany have been on a large scale. The Germans themselves claim that by the end of 1942 the number of workers sent to Germany had already reached 710,000. By far the greater number of Russians have, however, been forced to work for the Germans locally. It is reported that during their retreat the Germans have adopted the policy of trying to withdraw Russian civilian workers with them, and of treating the population of the towns and villages they evacuate with the utmost brutality.

In the Ostland, where opportunities are less, the degree of economic oppression, certainly in the Baltic States, appears to be less than it has been in the Ukraine. Propaganda is largely devoted to advertising Germany's ostensible desire to restore private property and to creating in the minds of the local inhabitants a dread of Russian Communism. This, however, does not mean that German orders and demands for deliveries of requisitioned goods, including, for example, timber and flax, are not enforced, nor that economic exploitation by the infiltration of German commercial and industrial companies, banking, etc., is not far-reaching.

THE MECHANISM OF ECONOMIC EXPLOITATION

The fundamental principle of Germany's economic exploitation of Europe is the theory of the *Herrenvolk.* The Germans hoped, by the organization of maximum development of essentials, to make

Europe largely self-sufficient, not only in war but in peace, and, by economic exploitation and penetration, together with a readjustment of Europe's division of labour, to secure for themselves, as the master race, the efficiency to produce for all non-German Europe. Although certain details have been modified, the real prospect envisaged by the Nazis appears to have been that of an all-powerful German Reich, much enlarged compared with pre-war frontiers, and predominant in heavy and key industries, with the economy of the rest of Europe mainly based on agriculture, raw materials and light industries. Non-German areas would thus be dependent on the Reich for their development and prosperity.

In order to obtain the maximum influence and control required to achieve this end, varied types of exploitation have been adopted, differing according to the particular economic and political conditions existing in individual countries. Broadly speaking, in the eastern areas, such as Poland, the Baltic States, and the occupied territories of the U.S.S.R., the direct and simple method of outright confiscation has been general. On the other hand, in the west—apart from those territories incorporated with or annexed to the Reich, where confiscation from those other than Germans has been wholesale—indirect and subtle means have been adopted within the framework of what is ostensibly legal procedure to ensure far-reaching control of banking, industry and trade. In other occupied countries of central and south-eastern Europe, and also in the satellite countries, the methods adopted in order to ensure a high measure of economic control and the development of resources on lines best suited to Germany's purpose have varied according to circumstances.

Direct Confiscation

One of the plainest examples of direct confiscation or sheer robbery is the general seizure by the Nazis of all Jewish property. The total value of such property in one country alone—Czechoslovakia—has been put at 125 million Reichsmarks. But in all occupied countries there have been outstanding examples of direct expropriation of both State and private property. In western Poland and the occupied territories of the U.S.S.R., as in the Protectorate and

Alsace, there has been widespread confiscation with no attempt at compensation. For instance, in the annexed territories of Poland, where the aim is complete Germanization, there has been wholesale expropriation of all State property, such as the port of Gdynia, the Polish State steel works, and State forests, and in addition large-scale confiscation of Polish private ownerships. Millions of acres of land have been taken over and also livestock. The coal mines of Polish Upper Silesia .have been expropriated and also many thousands of factories and trading firms, both large and small. In the Bohemian-Moravian Protectorate, the homes and properties of refugees and all those who opposed the Nazi regime, as well as of Jews, have been taken over, either by local Germans or for the purpose of settling Germans from elsewhere. When the Germans, immediately after occupation, took over the principal banks in the Protectorate, all the more important industrial concerns fell into their hands. Examples of outright expropriation could be instanced in every occupied country.

A kind of looting most valuable to the Reich has been the commandeering from the central banks of the conquered countries of all gold and foreign assets not placed in safety abroad. Among other extremely valuable items in the general plunder are the arms and equipment of the armies of occupied countries, and also stocks of such commodities as metals, oils and rubber. It is estimated, for instance, that from Czechoslovakia alone Germany gained more than 370 million Reichsmarks worth of military equipment and it is known that from one country alone, France, she acquired a very large quantity of steel scrap, well over a million tons of oil, and also very substantial supplies of copper, zinc and lead, together with smaller amounts of other metals, and a great deal of other loot. While it is extremely difficult to make any reliable estimate of the total value of gold, State property, land, war materials, plant, and all the many other valuable assets confiscated outright, including even clothes and other personal effects, it is clear that the total value of such loot, quite apart from financial levies, can certainly be estimated at many thousands of millions of pounds. As from occupied Russia no direct financial contributions appear to have been levied, the rate of pure loot has been correspondingly higher.

Financial Measures

While outright confiscation has been widespread, the Germans have adopted another more subtle policy. This consists of "paying*' for what they receive not in the form of commodities or services but with finances actually provided by the occupied countries. The principal methods used for this particular form of exploitation are heavy and continued occupation levies, placing of German loans abroad, the use of clearing accounts, and also the issue in the first stages of occupation of *Reichskreditkassenscheine,* or notes for the immediate use of the occupying forces. The issue of these notes naturally had an inflationary effect in the countries concerned, since additional purchasing power was put into circulation while goods were not brought in at the same time, but rather taken out in quantity.

Total contributions from occupation costs amounted at the end of September 1943 to some 42.8 milliard Reichsmarks, and the annual rate of payments was equivalent to roughly 16 milliard Reichsmarks as compared with a German war expenditure of 120 milliard Reichsmarks. As a very rough estimate, and allowing for price changes, at the rate in force France alone was being asked to pay annually not far short of a third of the total reparations payments made by Germany during the course of twelve years after the last war. In addition to occupation costs the Germans call upon occupied countries to accept in return for such goods and services as they supply to Germany not the goods which they themselves need but mainly credits on clearing accounts to Germany, which are in effect book-keeping accounts. Such goods as do leave the Reich for the occupied areas are chiefly of value, directly or indirectly, in expanding the capacity of these areas to serve the Reich. All clearings are operated through Berlin, and Germany has accumulated a huge clearing debt, for she takes all the goods and services she can obtain and wherever possible defers payment. The clearing debt is thus simply considered as a long-term non-interest-bearing loan which may or may not be redeemed. The total of Germany's clearing debts by the end of September 1943 must have stood at about 21 milliard Reichsmarks. The occupied countries alone accounted for some 17 ½ milliard Reichsmarks, and the annual rate of

increase for these countries can be estimated at roughly 6£ milliard Reichsmarks. If occupation costs and the clearing debt with occupied countries are taken together, the cumulative total amounts to over 60 milliard Reichsmarks (if converted at 131/3 Reichsmarks to the £ sterling some £4,500 million)—an amount greater than all Germany's reparation payments after the last war—while the annual burden equals nearly 23 milliard Reichsmarks or almost a fifth of Germany's annual war expenditure.

For the most part, the above types of financial contribution made by the occupied countries to Germany can only be met ultimately by credit expansion on the part of their central banks, and are therefore of a highly inflationary character in view of the increasing shortage of goods. The following is just one example of inflation resulting from the German clearing policy:* remittances sent home by foreign workers in Germany are credited in Reichsmarks to the clearing account, but if the recipient at the worker's home is to benefit he or she must ultimately be paid by the local authority in the national currency, which in turn is expended on national goods. The occupied country, therefore, in fact not only provides Germany with the worker but even has to pay part of his wages.

The Germans also adopted various other financial devices for the direct purpose of lowering the cost of their imports and raising the price of their exports. One such measure was the initial overvaluation of the Reichsmarks. Another is the system by which export and import prices of occupied countries have been so manipulated as to be in Germany's favour. Both these measures, however, have had to be used with increased discretion. It has been realized by the Nazis that the financial chaos created by pushing them too far might easily in the end involve repercussions outweighing any immediate gain.

Foreign exchange policy has so far consisted in the strict maintenance of fixed exchange rates, after the relatively limited devaluation following occupation. The fundamental factor underlying this policy has no doubt been the desire to encourage economic tranquillity. What the Nazis hoped to achieve in occupied countries was internal price stability. Owing, however, to the high occupation costs and clearing debts—involving a vast increase in currency circulation with a declining volume of goods—stabilization of prices

became exceedingly difficult and management of prices on the German standard has not proved possible.

The rise in prices in occupied countries has had its repercussions for the Germans. It increases the cost of adding to the clearing debt and the vast accumulation of this debt has affected Germany's financial prestige. Creditors in various countries have become anxious to avoid sending supplies to Germany, while some of the south-eastern satellite countries have been showing anxiety to get what they can out of the clearing debt without delay. Hungary, for example, has liquidated as many old debts as possible by charging them against her large credit on the clearing account. She has paid off by this means Hungarian State Bonds in German hands and also those in the possession of Czech and Dutch nationals. Further she has neutralized much of German capital penetration into Hungary by re-purchasing many of the shares held by Germans in Hungarian enterprises. Rumania and Bulgaria have also shown anxiety to reduce their clearing credit. There are indications that the Germans, realizing that their clearing policy is reacting against them, may take steps to reduce the value of their large debt on the clearing account by various measures. One suggestion is that foreign workers' remittances and all charges for transport and other services should be excluded from the clearing account. Early in November 1943, German financial authorities admitted it might be necessary to give up the policy of fixed exchange rates and to re-adjust the value of the various currencies in terms of the Reichsmark.

To sum up the situation—by various indirect measures the German Reich has been provided with the means drawn from occupied countries, with which to purchase goods, services and capital assets in such countries. These indirect measures have had, from the Nazi point of view, the psychological advantage that Germany appears to pay for what she receives.Thus the individual banker or industrialist in occupied territories may not have been forced to suffer immediate direct financial loss as a result of German transactions and penetration into banking and industry. Moreover, it may take some time before the ordinary man in the street fully realizes that, while he himself is paid for his work, his country is steadily being robbed by means that in ultimate effect differ little from outright confiscation.

Penetration into Banking, Industry, etc.

Where the Germans have not adopted a policy of outright expropriation of banking, industrial and trading concerns, etc., they have found other means of penetration.[1] Foreign property and business concerns have been acquired with the aid of funds drawn to a large extent from foreign sources. For instance, the balance of occupation indemnities, over and above the amount required for actual occupation costs, have sometimes been made available to German enterprises for the purchase of foreign companies. Provision has been made in the clearing account for "free" sums to be advanced to individual German firms for the establishment or extension of their business interests in occupied countries. Pressure has been put on local banks abroad to grant credits to German firms, an outstanding example of this method being the huge credits obtained from the banks of the Protectorate. Then there is the particular case of the Netherlands, where by the abolition of the existing Customs and also foreign exchange barriers between the two countries, the Germans have been able to secure control by purchasing Dutch securities and undertakings with Reichsmarks, which the Bank of the Netherlands has had no alternative but to exchange into national currency at a fixed rate.

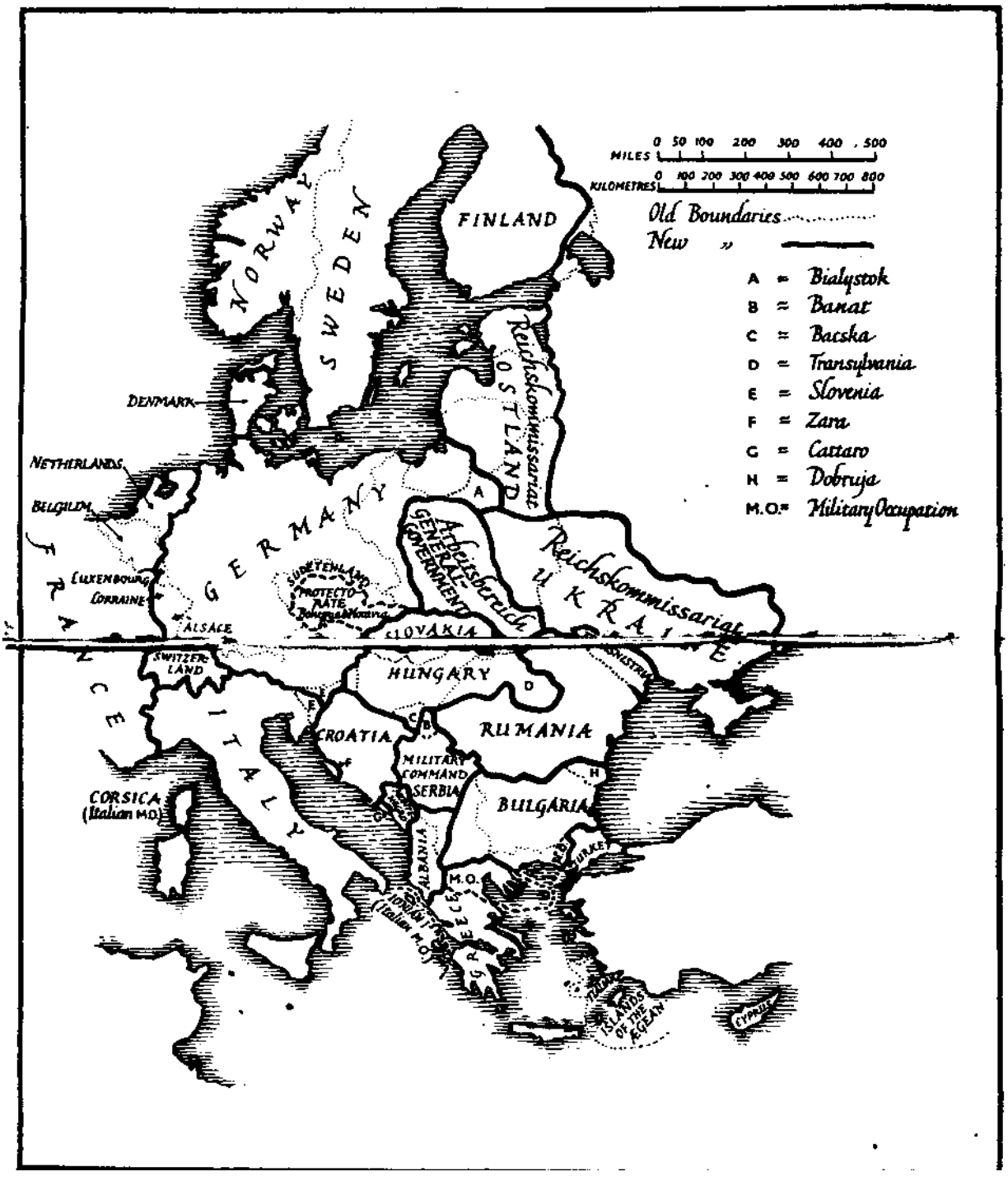
Other devices for obtaining economic expansion, and thereby German control of the key industries of Europe, are as follows:

(a) The acquisition of banks and holdings by a widespread ramification of the control of banking institutions by the big German banks.

(b) The creation of *'interlocked" companies financed partly by German capital and partly by capital from other countries. Two examples of this are the interlocking of S. A. Francolor (French Dyes Industry) and I. G. Farbenindustrie (German Dyes Trust), and also the numerous mixed German-Rumanian firms created in Rumania.

(c) The establishment in occupied and satellite countries of branches and agencies and so-called daughter companies of Germany's powerful business concerns.

[1] *The Penetration of German Capital into Europe.* Conditiong in Occupied Territories, No. 5 (A Series of Reports issued by the Inter-Allied Information Committee, London), H.M. Stationery Office. 1943.


0 50 100 200 300 400 500
MILES
0 100 200 300 400 500 600 700 800
KILOMETRES
Old Boundaries
New "
A = Bialystok
B = Banat
C = Backa
D = Transylvania
E = Slovenia
F = Zara
G = Cattaro
H = Dobruja
M.O.= Military Occupation
NORWAY
SWEDEN
FINLAND
Reichskommissariat OSTLAND
DENMARK
NETHERLANDS
BELGIUM
GERMANY
Administrative GENERAL-GOVERNMENT
Reichskommissariat UKRAINE
LUXENBOURG
LORRAINE
ALSACE
SUDETENLAND
PROTECTORATE
SLOVAKIA
SWITZERLAND
HUNGARY
TRANSNISTRIA
CROATIA
RUMANIA
MILITARY COMMAND SERBIA
BULGARIA
ITALY
CORSICA (Italian M.O.)
ALBANIA (Italian M.O.)
M.O.
TURKEY
GREECE
ISLANDS OF THE AEGEAN
CYPRUS

(d) **The political pressure applied to secure what is in effect compulsory joining of foreign industry in German cartels, by which means the Germans acquire the power to regulate both production and sales.**

While the method, and the degree of intensity, of penetration has varied in the different occupied countries, the limit in each case has been set only by considerations of political and economic expediency. Thus, as has been indicated, in the territories absorbed or annexed by the Reich, banking, industry or trading concerns have simply been expropriated wholesale and handed over to German trusteeship. On the other hand, in the western countries nominally only under military or semi-military occupation, German control has in the main been secured by means of financial penetration into banking, and the use of the clearing account and occupation costs as an economic weapon. In the satellite countries of south-eastern Europe—Hungary, Rumania and Bulgaria—while penetration has been carried out on what may be termed normal lines, the extent of control secured is very great. German penetration in Rumania, for instance, is probably as great as, or greater than, in any of the occupied countries where a policy of outright confiscation has not been general.

The aim of the Nazis throughout is to secure a maximum degree of control over all key industries, with a minimum expenditure of German capital. In general, the scheme is to draw into the network of Germany's powerful banking system and her great industrial combines all the major banking institutions and important industrial concerns of non-German countries. It is obviously impossible in a short space to set out in any detail all the many ramifications of German penetration on these lines. Among outstanding examples are: the increased activities of big German banks, such as the Deutsche Bank and the Dresdner Bank, which by a widespread extension of control have now between them acquired powerful banking interests and holdings in all occupied countries and even in satellite countries; and the growth of immense German concerns such as the Hermann Goring Werke, I. G. Farbenindustrie, Kontinentale Oel, to name only a few of the more important, that now to a large extent control heavy industry and the production of chemi-

cals and mineral oil in Continental Europe, and within whose ring are to be found the great bulk of those metallurgical and chemical industries which form the essential foundations of military power.

The Hermann Goring Werke was founded in 1937, with a capital of only 5 million Reichsmarks, but to-day has a capital of 4,000 million Reichsmarks, and is the greatest and most powerful organization that Europe has ever known. It was originally started for the exploitation of low-grade iron ore in the Reich, but the concern was soon extended to cover the production within the Reich of steel, machinery, means of transport, etc., and by 1938, its capital had increased to 400 million Reichsmarks. During subsequent years its tentacles have been stretched not only far and wide within the confines of the German Reich itself but into every European country where there has been a successful German incursion. In Austria nine big concerns have been absorbed, and in Czechoslovakia the Skoda works, the Brunner Arms Factory, and also various iron and lignite interests have been taken over. In Poland the concern acts as trustee for all Silesian heavy industries and has taken over various mining interests. In Rumania iron mines and steel works accounting for four-fifths of Rumanian steel output, together with various important subsidiaries, now belong to tha Hermann Goring Werke. Throughout Yugoslavia, Norway, Sweden, France and Belgium, this vast organization has spread its network in many directions, acquiring iron mines, smelting works, and other industries. The concern also spread eastwards, for it was arranged that the Goring Werke in Osten should take over certain industries in occupied Russian territory. As a first step the iron workings^of Krivoi Rog and the manganese deposits near Nikopol were incorporated.

I. G. Farbenindustrie, like the Hermann Goring Werke, is a giant trust operated for the purpose of securing Germany's economic control of Europe, for ever since 1933 it has been deliberately used for the furtherance of Nazi policy. It was originally founded in 1925 with a capital of 646 million Reichsmarks as a loosely knit association of Germany's chemical firms, mainly interested in drugs and dye stuffs. By July 1942 its share capital had been expanded to 1,400 million Reichsmarks, and to-day the concern covers a very wide field and its network is spread all over Europe. Its main function under

the German Four-Year Plan is the production of substitute materials and chemicals, but, together with its subsidiaries, it now controls many industries, some only remotely connected with chemicals. For instance, in 1935 it undertook the organization of oil seed production in Rumania and Bulgaria. Not only has this giant concern established many new industries both within and without the confines of the Reich, but it has also gained control over all the more important existing key industries in any way connected with chemicals, both in occupied countries and to a lesser extent in satellite countries. In some cases existing industries have simply been absorbed wholesale, in others control has been achieved by cartel arrangements or so called collaboration. Whenever willing collaboration has not been forthcoming, pressure has been applied by financial penetration or the withdrawal of patents and licences. It is not too much to say that the activities of I. G. Farbenindustrie, together with the octopus growth of the Hermann Goring Werke, and the stretching out of their tentacles over Europe, have been a major factor in the development of Germany's war economy and in Nazi planning for long-term domination over Europe and ultimately over the world.

SOCIAL CONSEQUENCES

Movements of Population

Of all the problems created in Europe since the Nazis came to power perhaps the greatest is the human tragedy of the displacement of millions of men, women and children from their own homes in various countries. In October 1939, President Roosevelt predicted that "when this ghastly war ends, there may be not one but ten million or twenty million men, women and children, of many races and many religions, living in many countries, and possibly on several continents, who will enter the wide picture—the human refugee." Already for Europe alone, if the movement of Russians from occupied territories of the U.S.S.R. is included, even President Roosevelt's higher figure has certainly been reached or surpassed.[1]

[1] See International Labour Office. Studies and Reports. Series O (Migration) No. 8. *The Displacements of Populations in Europe*, by Eugene M. Kulischer. Montreal, 1943.

Moreover, not only have millions of persons been displaced, but everywhere whole families have been broken up and scattered in all directions.

Broadly speaking, movements of population are the outcome of several rather different causes. Military operations have led to the flight of vast numbers of persons before advancing armies, and the evacuation of population from bombed or danger zones to safer areas. The infamous Nuremberg laws, relegating Jews to virtual outlawry, have now been adopted not only in the Reich but in nearly every occupied country, and protected by no law of justice Jews have been rounded up and subjected to mass expulsion or deportation, if not to massacre or extermination. The repatriation of German-speaking populations from all over Europe and their resettlement not only within the Old Reich but in the territories absorbed or annexed, and the simultaneous breaking up of whole nations, as for example the Poles, are all results of Nazi long-term planning for the New Order, based on the theory of Germany's racial superiority and the ambition to consolidate and expand Germanization. The transfer of foreign labour to Germany, on the other hand, is the outcome not so much of Nazi long-term planning as of the immediate shortage of labour for the maintenance of the war effort. Another large-scale movement of population has resulted from cessions of territory, as, for instance, in the case of Transylvania. While displaced persons may fall roughly into the above very wide categories, even these overlap and dovetail. The chaos created is in fact so vast and the problem so complicated that the picture which presents itself is kaleidoscopic. To set out even in broad terms either the extent or the direction of the various movements is therefore extremely difficult.

Although no reliable figures exist, probably one of the largest movements of population is that of war fugitives. The number of Poles who fled before the advancing armies to Russia, and from Russian Poland to German Poland, is believed to run into millions. The movement eastward alone has been estimated at over a million. In addition there is the large-scale exodus of Russians from the occupied territories of the U.S.S.R. When western Europe was invaded, streams of fugitives fled from their homes, and though the

great majority **have** returned, many thousands, apart from members of the armed forces, escaped to Great Britain and other countries. From Czechoslovakia, Greece and Yugoslavia fugitives who have been able to find a means of escape to other countries are widely dispersed. Then there are the victims of Nazi persecution, including the minority who escaped individually, and those whole classes of persons subjected to mass expulsion or deportation. Before the war, some 400,000 persons, mainly Jews, were expelled from the Greater Reich, and though a high proportion of these early victims of Nazi persecution have now found permanent settlement outside Europe, in the United States, South America, Palestine and the British Dominions, or temporary shelter in countries of first refuge, like Great Britain, many thousands remain in Continental Europe. Some have found safety in the neutral countries—Sweden, Switzerland, Spain and Portugal—but very many thousands have been caught in the conquered countries and once more subjected to persecution.

In nearly all the countries conquered or dominated by the Nazis, a policy of anti-Semitism has been enforced and is now being ruthlessly carried out. The adoption of Nazi policy by the Vichy Government is only one instance. In France, foreign Jews have been herded into labour camps and many thousands have been deported to Germany, Poland and the Ukraine. From the Netherlands, tens of thousands of Jews have been rounded up and sent east, while from Belgium, Norway, Yugoslavia, and in particular from Czechoslovakia, they have been deported in their thousands, mainly to Eastern Poland. It was decreed that Bohemia and Moravia were to be cleared of Jews by the end of March 1943. While exact numbers are not known, there are reports which indicate that 25,000 out of 52,000 Jews living in Belgium have been deported, men, women and children being ruthlessly separated from one another. From Yugoslavia there have been reports that there are now no Jews left. The German Government is stated to have presented the Slovak Government with a bill for 70 million crowns, representing "the cost of deporting 65,000 Jews and assigning them to Eastern Poland." And so the story goes on. Early in December 1942 it was estimated by the State Department in Washington that since 1939 some 2,000,000

Jews had either been deported or else had "perished" in Axis-controlled Europe, while another 5,000,000 were in danger of extermination.[1]

Another vast and highly complicated problem resulting from a variety of reasons is the systematic transference of persons from one country or area to another. Into many territories there has been a large-scale introduction of what have come to be known as intruded populations and from these same countries a mass deportation of what may be termed extruded populations. Closely interwoven with this question of intruded and extruded populations is the repatriation of large numbers of German-speaking peoples from different European countries and their resettlement in accordance with German racial and economic planning for "colonization". On April 5, 1943, it was announced from Berlin that the numbers of Germans repatriated up to December 1942 amounted to over 800,000. Of these the largest groups came from South Tyrol, Bessarabia and Bukovina, Poland and the U.S.S.R., and smaller groups from the Baltic States, Bosnia, Serbia, Croatia, Rumania and Bulgaria. Some very considerable proportion of these repatriated Germans have been included in the settlement of Germans in seized territories. According to the figures issued from Berlin on April 5,1943, a total of 3,700,000 Germans have been settled mainly in Wartheland, Danzig and West Prussia and Upper Silesia, all former Polish territory, now incorporated in the Reich, but also in Carinthia and Styria, in Luxemburg and Lorraine, and in the Polish district of Lublin in the General Government. In order to make room for the intrusion of German population and to ensure complete Germanization in the above territories, incorporated in or annexed to the Reich, a considerable proportion of the native population has been extruded and driven from their homes. The most outstanding example is the case of Poland, where the territories incorporated in the Reich and also apparently the Lublin district of the General Government are evidently designated by the Nazis for so-called colonization by a process of German settlement and complete Germanization. Into these territories, where formerly the

[1] *Persecution of the Jews.* Conditions in Occupied Territories, No. 6 (A Series of Reports issued by the Inter-Allied Information Committee, London). H.M. Stationery Office. 1943.

percentage of Germans was very small, not thousands but possibly some three million of Germans from the Reich and *Volksdeutsche* repatriated from outside the Reich, have been intruded, with a simultaneous eviction *en masse* of Poles and Jews. Every effort has thus been made to break up the Polish nation. Several million Poles, apart from war fugitives, have been driven from their homes and their land and property seized, while the number of Poles evicted from the Polish territories incorporated in the Reich and deported to the General Government is believed to be well over a million: Many others are civilian prisoners and certainly a million, or possibly many more, have been sent from all parts of Poland as forced labour for Germany. The ghastly fate of the Jews in Poland is well known. Large numbers have been massacred and those that remain have been herded together and segregated in reservations and ghettos under appalling conditions.

From Alsace-Lorraine, where complete Germanization has also been the aim, a great proportion of the native inhabitants have been expelled to France and also to Poland and elsewhere, and others deported to Germany, while simultaneously their farms or their places in industry have been taken over by Germans from South Tyrol, from the Baltic States, from Bessarabia and elsewhere. From Slovenia also thousands of persons have been displaced and have gone to Serbia, to Hungary and to Italy, and have in turn been replaced by others from Germany, Italy, Hungary and Bulgaria. The number of Yugoslavs driven out of Croatia and territories annexed to Hungary amounts to many thousands. From the Ukraine probably some three-quarters of a million Russians have been deported to Germany as forced labour. Then there has been the deportation of Dutch to eastern Europe; exact figures are not available but probably about 100,000 were sent to the Baltic States and to the Ukraine. Among other transfers there is the movement of perhaps over 80,000 persons from the Bulgarian-occupied territories of Greece into other parts of Greece and their replacement in part by Bulgarians. Of transfers resulting from the cession of territory between one satellite country and another in south-eastern Europe, probably Rumania has suffered most heavily; from the area of Transylvania, ceded to Hungary in September 1940, some 200,000

persons are said to have been moved to the remaining parts of Rumania.

The transfer of foreign labour to the Reich cannot of course be considered entirely separately from some of the movements mentioned previously, for many thousands of deported Poles, Rumanians and Russians, for example, are now employed in the Reich, very largely as forced agricultural labour. By the middle of 1943 the number of foreign workers and employed prisoners of war within the 1939 boundaries of Greater Germany was about 6 to 7 millions. The Germans have given out much higher figures for the middle of 1943, but the area to which these figures refer is certainly greater than that within the 1939 boundaries. For instance, a figure of 12 millions given out by Sauckel appears to include as foreign workers all Poles working in incorporated Polish territories. The largest groups of deported labour in the Reich are the Poles and Russians, but probably in all there are some 25 different national groups, and the great majority have been induced to go to the Reich only by the pressure exerted by different means, sometimes subtle, sometimes quite frankly brutal. Among these groups, as well as Poles and Russians, are French, Belgians, Dutch, Norwegians, Czechs, Slovaks, Serbs, Croats and Greeks. Apart from the foreign workers within the Reich there are the many thousands who have been forced to leave their own country to work for Germany in other occupied territory.

The above are only some examples of the chaotic situation that has arisen from war conditions and from Nazi schemes for moving whole populations from one country or area to another; but while it is impossible to draw anything but a very confused picture, the foregoing paragraphs will be sufficient to indicate that the problems created are not only vast but highly complicated.

Food Situation

As a result of blockade and Europe's insufficiency in domestic agricultural supplies and, above all, Germany's policy of distribution, the food situation in occupied countries in general has been characterized by shortages and malnutrition.[1] Rationing at different

[1] See Geoffrey H. Bourne, D.Sc, *Starvation in Europe.* Allen and Unwin. 1943. See **also** *Europe in Bondage.*

levels is in force in all occupied countries, but official rationing levels cannot be taken as a wholly reliable guide to consumption, for the official amounts allowed are apparently not always obtainable. For the most part, workers, and particularly heavy workers, receive higher food allowances than other consumers, and there are different rations for children.

Following the good harvests of 1943 food supplies have shown considerable improvement and the present position appears to be that current supplies in Europe, while certainly not adequate, could be sufficient to prevent serious hardship if they were equitably distributed. Germany, however, claims special privileges for herself. From all the occupied countries the Nazis withdraw for their own use the maximum of food supplies that is deemed expedient. Thus the attitude adopted towards the country's food varies according to the degree of economic usefulness to the Reich of the country concerned. When the industrial or agricultural output of a country is essential to the Reich, then an effort is made to provide sufficient food to maintain at least some degree of physical fitness among workers so that their productive capacity does not fall to too low a level. On the other hand, the food requirements of local inhabitants of a country considered to have little economic importance receive but scanty consideration. For example, Greece, a country which has few industries and normally has to import foodstuffs, and therefore was until recently considered of relatively small importance, has probably suffered more than any other, for the population has been allowed to starve. In spite of the shortage of domestic supplies the Germans withdrew food for their own use and it is reported that some 300,000 deaths from starvation occurred in two years. With the sending in of food supplies by the United Nations and Turkey and its distribution by the International Red Cross the situation was alleviated to some extent, but it appears that since June 1943 conditions have again [deteriorated. In the General Government also, another area dependent on imported food supplies before the war, food allowances for Poles and Jews are so deplorably low as to be far less than minimum needs, and here too famine, certainly in the towns, has been prevalent. Even though the area is not self-supporting, the Nazis withdraw agricultural supplies for their own use and

do not hesitate to use starvation as a means of suppression. It is possible also that starvation is regarded as a usefuf method of gradually exterminating undesired local population. The rationing system here is very complicated but it is significant of the attitude adopted by the Nazis that, while the normal non-privileged person of German nationality receives the same 8 oz. fat ration as in Germany, the ordinary non-German receives none at all. Even the non-German workers are given only 5½ oz. as against 11½ oz. for their fellow German workers. In the Polish territories incorporated in the Reich, where rationing allowances appear to be higher than in the General Government, needless to say, both Poles and Jews receive very much less than the Germans within the same territories, and here again, local production is requisitioned to meet the requirements of the Reich. Even if acute starvation is not widespread, in the towns slow starvation is frequent. Information as regards the food situation in occupied Russia is not easy to obtain, but there seems little doubt that in many parts conditions are extremely grave and starvation, if not famine, exists. In parts of Yugoslavia, notably Croatia, there have also been extreme shortages. In Czechoslovakia, where official rations are similar to those in Germany, starvation does not appear to have been general, but in the towns the amount of food available is probably inadequate.

Among the occupied countries of western Europe, Belgium and France are probably the worst off. Belgium is normally a country with a low degree of self-sufficiency in food and a dense population. The Swedish Committee for the Relief of Belgian Children reported in June 1943 that the effects of under-nourishment were appalling as the average food consumption was below minimum requirements. The most characteristic feature in both Belgium and France is the severe shortage of fats. In Belgium the ration for a normal consumer is 3½oz.,in France only 2½oz., compared with the 8oz. in Germany. Not only fats but also bread and meat are in short supply. The shortage in France is contributed to by the requisitioning by Germany of over a tenth of the total wheat production and about a quarter of the meat, as well as several other food items. In Norway and the Netherlands the position is probably rather better, but in a letter written by Dutch physicians to the Reich Commis-

sioner in the Netherlands in June 1943 attention was drawn to the low value of nourishment and insufficient calories in the rations of even an adult working man, and to the fact that the Dutch people were convinced the food shortage could be less serious if a considerable part of Dutch produce were not exported to Germany. Denmark has been an exception among the western countries, for with her highly developed agricultural economy she has been, at least until recently, the best fed country in occupied Continental Europe with consumption levels as high as in Germany.

Broadly speaking, throughout the majority of occupied countries the peasant population appears to have suffered a much less steep reduction in food consumption than urban populations. In rural areas, local supplies are of course available and their withdrawal can be forced only with difficulty. In the towns, on the other hand, much must depend on efficient distribution, and it is here that much the worst shortages are to be found. It seems probable that in every country the working urban classes have suffered the most severely, for the well-to-do in the towns can often maintain a moderately good level of consumption by feeding in expensive restaurants or supplementing rations by purchasing at exorbitant prices in the black markets which it has usually been found impossible to suppress. The extent of the black market varies in different countries, but there is evidence that in most occupied countries it has become of growing significance. Its activities have both a bad and a good side. On the one hand the rich can gain at the expense of the poorer majority and there is opportunity for much gross profiteering. On the other hand black market transactions have some important advantages for local populations. Many of the patriots who engage in underground activities or avoid deportation to Germany have no ration cards, and it is the black market that supplies them with food and even sometimes with funds. The patriotic black markets render an important service by reducing the supplies available for requisitioning by the Germans. This they do, not necessarily by profiteering, but by providing food for ordinary consumers to supplement their rations at moderate prices; even free food may be given to the very poor.

While the degree in food shortages varies from one country to

another, between rural and urban districts and between workers considered important for the German war economy and others, there is no doubt that even where actual starvation has not existed the urban population and the rural population to a lesser extent has had to live on a very inadequate diet lacking in sufficient calories and unbalanced in vitamin content. Malnutrition together with other hardships, such as acute shortage of clothing, insufficient soap and lack of adequate heating, must lay open the way to disease and epidemics. A rise in infant mortality and a falling off in the physical standards of children in many countries are already signs of a rapid deterioration in health. It is also known that there has been an increase—in some areas a very rapid increase—in the incidence of tuberculosis, rickets and other diseases resulting mainly from malnutrition and want.

In his speech of October 1942, Goring summed up the Nazi attitude towards food supplies for the conquered countries in the following words: "As regards the satisfaction of hunger and nutrition in general, the German people come first and foremost. I am in favour of the territories we have taken under our protection and those we have conquered not suffering hunger. But, if, as a result of enemy action, difficulties of nutrition arise, then I want every one to know this—if there must be hunger, it must in no circumstances be in Germany. Henceforth, one thing must be adhered to in all circumstances, namely, that the German workers and foreign workers labouring in Germany are to be given priority and precedence."*

PART II

THE POST-WAR PERIOD

IMPLICATIONS OF GERMAN DOMINATION

THE foregoing chapters, necessarily brief, give no more than a very general outline of the extent of German domination over the "European fortress" and the complete entanglement of the economic structure of occupied countries. The implications, however, are clear. On conditions arising from blockade, bombing

and war in general has been superimposed the deliberate and ruthless Nazi policy of subjugation and enslavement. Within the occupied countries, and even within the satellite countries, independent economic life has ceased to exist. Agricultural and primary production, industrial capacity, transport, man-power and administration have all been harnessed to the German war machine, often by methods which to a large extent fall within the original framework of Nazi long-term planning for the organization of a German-controlled New Order. The tasks that await the United Nations in Europe, as occupied countries are released from enslavement, are thus both immense and highly complex. Not only will the released areas be faced with conditions of starvation, destitution and probably, in consequence, disease, more widespread and acute than anything known after the last war, but also with far-reaching disintegration and breakdown of their national economies. If the peoples of the liberated areas are to be saved from complete disaster and ruin, the most urgent post-war problem for the United Nations will be to meet emergency needs for relief and to ensure rapid rehabilitation. A later problem will be that of general long-term reconstruction.[1]

It is difficult to forecast the dimension or order of the problem of relief and rehabilitation. Much must depend on the time and shape of events in Europe still to come. There are two main possibilities: one, that Germany will fight a long-drawn-out defensive war to the bitter end, in which case occupied areas can be released only piecemeal; the other, that at some stage Germany may collapse suddenly and many occupied areas be released simultaneously. Many of the post-war difficulties to be faced will be the same in either case, though their dimension and order may be different. As, however, each case also presents some special problems, it is of value to consider the implication of the two eventualities separately, even though this necessarily entails some repetition.

THE PROBLEM OF IMMEDIATE NEEDS

Gradual Release of Occupied Areas

Supposing that the release of occupied countries is gradual, then it is reasonable to anticipate that existing conditions will have

[1] For a discussion of post-war problems, see *Relief and Reconstruction in Europe: The First Steps.* Royal Institute of International Affairs. 1942.

suffered considerable further deterioration. The areas that serve as an actual battleground are bound to suffer devastation, as a result of active warfare. It also seems probable that, both for strategic reasons and out of pure vindictiveness, the Germans as they are forced to withdraw will continue to adopt a policy of maximum hindrance and ruthless destruction. In this case, the task of relief and rehabilitation in each particular area will be magnified. Already the Nazis are endeavouring to withdraw from occupied areas in Western Europe a maximum of skilled men, and indeed of able-bodied men, ostensibly in order to force them to work for the German war machine, but possibly also in order to prevent all chance of their rendering assistance to invadingforces. As the Germans retreat, it seems probable that they will remove, under duress, as many of the remaining skilled men, and other able-bodied men, as they can. The United Nations may be faced, therefore, with a shortage of civilian labour.

Again, all transport facilities are likely to be seriously damaged. Railway rolling-stock will be removed, repair shops rendered useless, and all main railway and other bridges will probably be blown up. From inland waterways barges will be withdrawn and locks and irrigation works damaged. The probability thus exists that the United Nations will have to supply, not only for military purposes, but also for relief and rehabilitation, both labour and railway material, in addition to motor transport.

As regards food, existing local stocks will almost certainly be commandeered and removed by the Germans, while standing crops are likely to be damaged, either by actual warfare or deliberate destruction. The same applies to livestock, draught horses and agricultural machinery. The United Nations may, therefore, be called upon to supply not only food required for immediate relief, but also, if speedy benefit is to be derived from domestic agricultural production, seed, fertilizers and machinery.

There will also be difficulties in restoring without delay full productive capacity in mining and industry. All stocks of fuel and raw materials may have been removed or destroyed, and mines and existing industrial plant rendered useless. At the coal mines, for \xtstance, workings may be flooded and remain unproductive for

several months, so that local supplies of coal in western Europe may be unobtainable, and coal need to be imported by the United Nations from overseas. For industry, not only raw materials but even key plant will be lacking. A considerable amount of key machinery has already been removed to Germany, more will probably follow or else be destroyed. In addition, power stations will be put out of action. The United Nations may thus have to supply, not only textiles, clothing and other essentials required for immediate relief, but such supplies of raw materials and replacements of plant as may be needed to restore back to normal as rapidly as possible domestic production of consumers[1] goods.

Lastly, the problem of civilian administration in liberated areas may not in the first instance be easy. Many key posts will have been held either by the Germans themselves, or else by their quisling accomplices who will presumably either retreat with them or find themselves liable to arrest. Such key posts will therefore be left vacant, and immediate steps will have to be taken more particularly by the liberated countries themselves, to find the right men to recreate independent organization and to work in co-operation with the military authorities.

The above possibilities assume that the Nazis will find themselves capable of pursuing a policy of maximum hindrance and destruction, although, in view of the increasing resistance in occupied countries, this is by no means certain. They have merely been outlined in order to indicate the immense difficulty of the tasks which the United Nations will have to face. At the same time as maximum war is still being waged in Europe, the United Nations will have to find means of relief and rehabilitation for the peoples of liberated areas for whom delay must spell complete disaster. It is clear that these tasks, together with the extensive demands of warfare, must put a severe strain on the productive capacity, and above all on the shipping capacity, of the United Nations.

Sudden Collapse of Germany

Assuming that there is a sudden German collapse, there will then he a simultaneous release of all occupied areas. The demands of total warfare in Europe will cease with the end of hostilities, but part of

the armed forces of the United Nations will almost certainly have to be retained in Europe, not only in Germany as forces of occupation, but also for a short time in the liberated countries, where they will be needed to assist in the administration of relief and as a safeguard until all German forces and personnel haye been withdrawn and national independence has been fully restored. Yet at the same time the need for relief and rehabilitation will be widespread and the problems involved highly complicated. Even if existing conditions have not greatly deteriorated, many millions of people throughout all the war-stricken areas will simultaneously be in need of the essentials of life, such as food, clothing and medical aid, which will have to be rushed to them; moreover, priority will have to be given to the areas where needs are most urgent. In addition, as German control is withdrawn, all the liberated countries will be faced with the immediate need to unravel their entangled economies, and to re-create with the utmost speed possible their own national economic life.

One of the first and most difficult problems as all hostilities cease will be the necessity to control the immediate flow home of the many millions of foreign workers conscripted for enslavement in Germany and in occupied countries other than their own, and also the return of prisoners of war in Germany, and the general movement of war refugees. Some measures of restraint are imperative. Any simultaneous, unrestrained general movement of millions of people, whose first instinct it will be to attempt an immediate rush home, could lead only to an increase in transport difficulties and general chaos and thus render the undertaking of relief work supremely difficult.

The main labour problems in the liberated areas, as dispersed populations return, will be the redistribution of skilled labour following previous dislocation, and the organization of constructive work to provide employment for the mass of other workers. Another very important problem will be the disentanglement and reorganization of transport, all formerly under the central control of Berlin. Rolling-stock will have to be redistributed and various national railways again put on a more or less stable basis. The gradual resumption of adequate transport facilities throughout the European continent will be a fundamental necessity, both for immediate relief measures and for setting in motion national

If by a sudden German collapse all occupied areas are released more or less simultaneously, the immediate demand from Europe for foodstuffs required for urgent relief work will be very high. To ensure that maximum benefit is derived during the initial period, from the foodstuffs likely to be available, the preliminary aim must be to arrive at an emergency basis diet by means of which the nutritional level considered desirable can be obtained. The various developments during the War in processing food should prove of assistance, as for instance the considerable advance made in canning, and the development of dehydrated meat, vegetables, eggs and milk, and also other foods with special vitamin contents.

The time it may take to rehabilitate the national agricultural economies of liberated areas must, of course, vary from country to country, but the rapid restoration and maximum production of domestic food supplies in all the released countries throughout Europe will be of utmost importance. It has been shown that if occupied areas are liberated one by one the demand for agricultural requirements will be high. Even though in the event of a German collapse, some countries may not have suffered severely from actual war devastation, their agricultural economies will be lacking in many essentials. There is certain therefore to be an immediate wide-spread demand for those agricultural requirements of which there is an acute shortage, such as seed, including cereal seed, potato, vegetable and fodder seed, while both fertilizers and agritural machinery may have to be provided on a large scale. The heavy fall of live-stock in Europe and the depreciation in the milk yields means that not only will frozen and tinned meats and dried milk have to be imported in quantity, but that every effort will have to be made to maintain existing live-stock by suitable means of conservation and the importation of necessary feeding stuffs. Improved veterinary services will be required, and, to build up new live-stock, breeding animals will have to be imported. It seems probable that use will have to be made of artificial insemination. Only by resort to all these measures will it be possible to ensure that European agriculture is restored to a satisfactory condition with the least possible delay so that by a policy of maximum self-help liberated countries can regain at least their normal decree of self-sufficiency.

With the prospect of severe malnutrition and disease, the organization and co-ordination of medical services will be an urgent and vital necessity. European countries will need to be supplied with, among other things, hospital and laboratory equipment as well as requirements for maternity cases and for checking the spread of epidemic diseases such as typhus and malaria. This will involve the provision, besides a great variety of equipment, of dressings and drugs in considerable quantity, anaesthetics, antiseptics, sedatives, cardiatonics, hypnotics, substances used in ophthalmology and obstetrics, and many other items required by relief practitioners and emergency clinics.[1]

Not only food and medical services, but also emergency supplies of consumer goods of all kinds, will be urgently required in the initial period, for, under German domination, production in occupied countries will have fallen to a low level. Their domestic industries will need to be put in a position to resume normal production as soon as possible—both to provide employment in industrial areas, and to ensure increased output of supplies—but this must take some time. Stocks of many raw materials, including fuel, will almost certainly be low or non-existent and will have to be built up as transport permits, either by internal movements within the Continent, or from overseas. Such key machinery as the Germans have removed may ultimately have to be returned or made good by them, but in the meantime it seems likely that plant to meet immediate needs may have to be imported from the United States and the British Commonwealth.

UNITED NATIONS PLANS FOR ADMINISTRATION OF RELIEF AND REHABILITATION

The Setting up of U.N.R.R.A.

An agreement for the setting up of U.N.R.R.A. including a definition of its constitution and functions was signed in the United States at the White House on November 9,1943, by the representatives of 44 Allied and Associated countries.* The U.N.R.R.A, con-

[1].See *Medical Relief in Europe: Questions for Immediate Study,* Melville D. Mackenzie. Royal Institute of International Affairs. 1942.

•For final text aee Cmd. 6491. H.M. Stationery Office. 1943.

ference convened by the United States and which at the time of writing is being held at Atlantic City is to set up international machinery for distributing necessary relief supplies and, where necessary, for assisting in other ways. This machinery will operate in close co-operation with the restored National Authorities in the liberated territories. It may also operate at the request of the Allied Commander concerned in territory which has not at the time been taken over by the National Authorities.

Even before the formal setting up of U.N.R.R.A. much consideration had been given to the problem of immediate post-war requirements.

In September, 1941, the Governments of the United Kingdom, the Dominions, the U.S.S.R. and the Continental European Allies met at St James's Palace. They agreed that, while each of the Allied Governments and Authorities would be primarily responsible for the economic needs of its own people, there should be co-ordination of their respective plans. As a result of this meeting, an Inter-Allied Committee was set up to prepare estimates of post-war requirements of food, raw materials and articles of prime necessity together with an Allied Post-War Requirements Bureau, which, in effect, formed its Secretariat.

During 1942 Allied Technical Advisory Committees were set up to consider agricultural requirements, medical supplies and services, the nutritional aspects of food requirements, and the organization of inland transport. In July 1943 a further Technical Advisory Committee was established in connection with the question of displaced populations, which had already been the subject of informal Allied meetings. Other technical sub-committees and panels of experts examined the detailed figures relating to each of the main groups of commodities involved. The work of collating and co-ordinating the estimates of requirements was approached from the standpoint of urgency and all-round fairness in determining the priority and the degree of need.

The United States Government participated as soon as America entered the war, while in November, 1942, President Roosevelt announced the appointment of Mr Herbert H. Lehman as Director of Foreign Relief and Rehabilitation, to undertake the work of organiz-

ing American participation in the relief activities of the United Nations. Although the U.S.S.R. sent no representative to sit on the Inter-Allied Committee, its Government was kept fully informed of all the proceedings.

To meet the need for international co-operation in relief work, the United States Government in June 1943 submitted to the consideration of the United Nations' Governments a draft agreement for the establishment of a United Nations Relief and Rehabilitation Administration. The agreement had been prepared by the United States Government in consultation with the British, Soviet, and Chinese Governments. As a result of subsequent discussions and suggestions made by all the Governments concerned, the text was modified and a revised draft was issued by the U.S. State Department on September 23. This revised draft, signed on November 9, defines the function of U.N.R.R.A., of which Mr Lehman has been elected Director-General. The first concern of the conference at Atlantic City was to endorse the agreement, the terms of which can be summarized as follows:

1. *The Functions of the Administration*

The functions of the United Nations Relief and Rehabilitation Administration are to plan, co-ordinate, administer or arrange for the administration of measures for the relief of victims of war in any area under the control of any of the United Nations through the provision of food, fuel, clothing, shelter and other basic necessities, medical and other essential services; and to facilitate in areas receiving relief the production and transportation of these articles and the furnishing of these services so far as necessary to the adequate provision of relief.

When the territory of a member Government is concerned, such measures as are adopted shall be taken in consultation with and with the consent of the member Government.

The United Nations Relief and Rehabilitation Administration will also formulate and recommend measures for individual or joint action by any or all of the member Governments for the co-ordination of purchasing, the use of ships and other procurement activities in the period following the cessation of hostilities, with a view to integrating the plans and activities of the Administration

with the total movement of supplies, and for the purpose of achieving an equitable distribution of available supplies.

2. ***Its Administrative Organization***

This will be made up as follows:

(A) A Council composed of a representative of every member Government and National Authority, and such other Governments or Authorities as may upon application be admitted to membership of U.N.R.R.A. by action of the Council.

(B) A Central Committee of the Council consisting of representatives of China, the U.S.S.R., the United Kingdom and the U.S.A., with the Director-General presiding but not voting.

(c) Sub-Committees of the Council.

(i) A Committee on Supplies, which will consist of members of the Council whose Governments are likely to be the principal suppliers of material for relief,

(ii) A Committee of the Council for Europe, consisting of members of the Council representing Governments of territories within the European area, to deal with relief in that area, and such other members of the Council, representing other Governments directly concerned with the problems of relief and rehabilitation in the European area, as shall be appointed by the Council.

(iii) A Committee of the Council for the Far East, composed of members of the Council representing the Governments of the territories of the Far East, to deal with relief in that area, and such other members of the Council, representing other Governments directly concerned with the problems of relief and rehabilitation in the Far East, as shall be appointed by the Council.

(iv) ***(a)*** **Such other standing regional Committees as the Council shall consider desirable;**

(b) **Technical standing Committees on specialized subjects such as nutrition, health, agriculture, transport, repatriation, finance, etc., as may be decided upon by the Council.**

(c) **Further, if a regional Committee desires it, Sub-Committees shall he established by the technical**

Committees in consultation with the regional Committees, to advise the regional Committees.

(D) The executive power will be vested in the Director-General who will be appointed by the Council on the nomination by unanimous vote of the Central Committee.

3. *The Functions of the Various Administrative Organs* *•

(A) The Council will be the policy-making body of the Administration. It will be convened in regular session not less than twice a year by the Central Committee and may be convened in special session whenever the Central Committee deems it necessary. Equally, it shall be convened within thirty days after request by one-third of the members of the Council.

(B) When the Council is not in session, the Central Committee will, when necessary, make policy decisions of an emergency nature; such decisions shall, however, be open to reconsideration by the Council at any regular or special session.

The Central Committee will ask the Chairman of the Committee on Supplies to attend its meetings when policies affecting the provision of supplies are discussed, and also will invite the participation of the representatives of any member Government at those of its meetings at which action of special interest to it is discussed.

It will also from time to time meet with the Committee on Supplies to review policy matters affecting supplies.

(c) The functions of the Committee on Supplies will be to consider, formulate and recommend to the Council and the Central Committee policies designed to assure the provision of required supplies.

The function of regional Committees will be to consider and recommend to the Council and the Central Committee policies with respect to relief and rehabilitation within their respective areas.

(D) The Director-General shall have full power and authority for carrying out relief operations within the limits of available resources and the broad policies determined by the Council of its Central Committee.

In conjunction with the Military and other appropriate Authorities of the United Nations, he will prepare plans for the emergency

relief of the civilian population in any area occupied by the Armed Forces of any of the United Nations, arrange for the procurement, transportation and distribution of supplies and create or select the emergency organization required for the purpose. In arranging for the procurement, transportation and distribution of supplies and services, he and his representatives are to consult and collaborate with the appropriate Authorities of the United Nations and shall, wherever practicable, use the facilities made available by such Authorities. Foreign voluntary relief agencies may not engage in activity in any area receiving relief from the Administration without the consent and unless subject to the regulation of the Director-General. He will appoint such staff as he considers necessary for the carrying out of relief.

While, however, hostilities or other military necessities exist in any area, the decision of the Military Command will override all other considerations.

Requirements and Supplies

The Committee of the Council for Europe of U.N.R.R.A., with headquarters in London, is to replace the Inter-Allied Committee on Post-war Requirements, whose records have been made available to U.N.R.R.A. The Committee's estimate of Europe's minimum needs for food, seeds, fuel, clothing, raw materials, medical supplies, knd other essentials for the initial period, amounting to 45,855,000 tons, gives some idea of the probable extent of the immediate bulk requirements of the eight European countries to be liberated. This figure does not include any estimate of the requirements of the U.S.S.R., nor the needs of enemy controlled or neutral countries. The Committee describes the estimate of 45,855,000 tons as the minimum bulk import requirements, and anticipates that 23,485,000 tons will need to be shipped from overseas, but that the remainder should be obtainable from within Continental Europe itself. Of the supplies to be imported from overseas it is calculated provisionally that 3J million tons will need shipment from the United Kingdom, and about 6 million tons shipment from European sources and the Mediterranean, while the remaining 14 million tons

including 9^ million tons from North America (United States, Canada, Mexico and the Caribbean States) will require trans-ocean transport.

The Inter-Allied Committee stressed the fact that thejestimates of food requirements are based on the lowest level of nutrition considered practicable—2,000 calories per day per person—and also urged that this basis should be applicable for that period only during which it may be physically impossible to provide more. The estimates for food represent only supplies needed for actual consumption and no allowance has been made for working stocks or any margin for wastage. They also stated that estimates of the special requirements needed by camps for prisoners and by refugees and displaced persons generally, pending their return to their homes, have not yet been worked out. They thought that probably there are in Europe up to date at least sixteen million displaced persons, of whom perhaps half are still in their own country but have fled or been expelled from their normal homes, all living under conditions which, to a varying degree, arc both abnormal and unsatisfactory.

Estimates of requirements will have to be modified continually in the light of changing circumstances. The requirements of any particular country will depend to a large extent on the season of the year in which liberation occurs, current home production, whether the fighting in the area has been heavy or light, the degree of plunder and outright destruction carried out by the enemy and many other similar considerations.

Owing to general world shortages the task of making available supplies will not be easy. As a net result of many factors a shortage of food in the world is in prospect until European agriculture can be freed from German depredation, the Far East liberated and world interchange of goods restored. There also seems likely in the initial period to be a shortage of certain essential raw materials. For example, coal, needed by the United Kingdom and the United States, is already proving to be in short supply. Moreover, until industry can be turned once again from war production to full production for civilian needs, there is not likely to be any surplus of consumers' goods.

This prospect of world shortage—apart from any other reason—would make mutual assistance essential for the liberated countries, and this has often been stressed as an important factor in future international co-operation. Its value has already been proved in North Africa. In order to help the French to restore their economic life, an Economic Board with the main object of assisting them to repair the ravages of war and of the German occupation was set up in North Africa in December 1942. It was found necessary, as a first step, to undertake essential relief work by ensuring the basic needs of the population, but the United Nations, by also supplying seeds and agricultural equipment, made it possible for the people to restore their agricultural economy and become practically self-sufficient in food.

Broadcasting from Washington on November 9, President Roosevelt said that it was not only humane and charitable for the United Nations to supply medicines, food, and other necessities to the peoples freed from Axis control, but a clear matter of enlightened self-interest—of military strategic necessity, and that after experience in French Africa, and later in Sicily and in Italy, this was no longer a question of speculation. The President also emphasized that responsibility for alleviating the suffering and misery resulting from Nazi tyranny in occupied countries must not be assumed by any individual nation but by all the United Nations acting together; no one country could—or should—attempt to bear the burden of meeting the vast relief needs, either in money or in supplies.

Sir Frederick Leith-Ross, Chairman of the Inter-Allied Committee on Post-war Requirements, has also stressed another aspect of the relief problem.

> "The provision of relief and rehabilitation will be the test of the capacity of the United Nations to rebuild a more prosperous world and to realize the most pressing of the Four Freedoms, the Freedom from Want, in their territories. It will entail, in the immediate post-war period, a great effort of mutual collaboration and a readiness on the part of the more prosperous countries to make sacrifices in order to restore the countries which have suffered most severely from the war."

At the present moment, while the war is still being fought, it is comparatively easy for the individual citizen in the United States

and Great Britain and the British Dominions to appreciate the need for sacrifices. There is no doubt he must also be prepared for the harder task involved in translating these sacrifices into terms of the continuance in the immediate post-war period of the shortages and the rationing, the controls and the restrictions of wartime.

FINANCIAL REORGANIZATION

When hostilities cease in Europe it seems probable that not only the monetary system of Germany but also the now very closely related monetary systems of the liberated areas may collapse unless immediate measures are taken.The present German financial structure, admittedly strong, has been supported by direct and indirect contributions from occupied and satellite countries. The system of controls has also been organized to the last detail. The final collapse of Germany will remove both these supports and the repercussions of this, together with the very acute scarcity of goods in the Reich, may involve the complete breakdown of the Reichsmark as a unit of foreign exchange. All the countries under German domination have vast holdings of Reichsmarks, which now have at least a theoretical value, a fact which the Germans use as a political weapon in their endeavours to persuade such countries that they have a stake in a German victory. Since the defeat of Germany must render holdings of Reichsmarks credits by liberated countries worthless at least for the time being, the United Nations will have to be prepared to help in the immediate reorganization on a sound basis of the financial structure of such countries, in all probability with the aid of credit from the United States and the British Commonwealth. Ultimate policy may fall within the general sphere of post-war currency plans now under preliminary discussion between the United States and the United Kingdom. It seems certain that for some considerable time strict regulation of both prices and supplies will be characteristic. For example, personal expenditure will have to be limited and prices regulated; while both investment and the capital market will also have to be strictly controlled.

In the field of banking, insurance, industry, etc., there will be the extremely difficult and highly complicated problem of disentanglement from the closely-woven German network now centralized in

the Reich. On January 5, **1943, a** memorandum was issued by the Foreign Office of the United Kingdom[1] containing a declaration **made** by **the** British Government and sixteen other Governments of the United Nations, which read as follows:

"The Governments of the Union of South Africa, the United States of America, Australia, Belgium, Canada, China, the Czechoslovak Republic, the United Kingdom of Great Britain and Northern Ireland, Greece, India, Luxemburg, the Netherlands, New Zealand, Norway, Poland, the Union of Soviet Socialist Republics, Yugoslavia, and the French National Committee hereby issue a formal warning to all concerned, and in particular to persons in neutral countries, that they intend to do their iltmost to defeat the methods of dispossession practised by the Governments with which they are at war against the countries and peoples who have been so wantonly assaulted and despoiled.

"Accordingly the Governments making this declaration and the French National Committee reserve all their rights to declare invalid any transfers of, or dealings with, property, rights, and interests of any description whatsoever which are, or have been, situated in the territories which have come under the occupation or control, direct or indirect, of the Governments with which they are at war, or which belong or have belonged to persons (including juridical persons) resident in such territories. This warning applies whether such transfers or dealings have taken the form of open looting or plunder, or of transactions apparently legal in form, even when they purport to be voluntarily effected.

"The Governments making this declaration and the French National Committee solemnly record their solidarity in this matter."

On April 7, 1943, the Lord Chancellor stated that the parties to the above declaration had set up an inter-Allied committee of experts which was now at work "on the double task of considering the scope and sufficiency of existing legislation in the Allied countries for the purpose of invalidating transactions such as those referred to—many of which had taken place under the cloak of legal transfer and of collecting all the available information on cases and methods of dispossession known to have been practised by enemy Governments and their adherents in occupied territory. In some cases loot had been sent by the enemy for safe custody to parts of the New

[1] **Cmd. 6418. HM Stationery Office. 1943.**

World. The declaration had been officially communicated to the Governments of those States which had broken off relations with the Axis but were not our allies. He was glad to tell the House that the Governments of the United Nations not included in the declaration, and the Governments of Latin American States which had broken off relations with the Axis, had responded most readily to the suggestion that they should associate themselves with the principles expressed in the declaration and had made pronouncements to that effect."[1]

Speaking in the House of Commons on July 1,1943, Mr Churchill referred to the progress made by the inter-Allied Committee of Experts set up and stated that His Majesty's Government were well aware of the penetration of European industry and finance by Nazi Germany, and in particular by the Hermann Goring Trust. He assured the House that one of the first post-war aims of the British Government and the Governments of the United Nations will be "to ensure that Europe will be totally purged from the economic servitude which Nazi Germany has forced upon her."

LONG-TERM ECONOMIC RECONSTRUCTION

At the present time it is impossible to do more than make a few rough generalizations in regard to long-term economic reconstruction in Europe. When peace terms are finally settled many political frontiers will have to be reconstituted, and arrangements will have to be made for the redistribution and resettlement of populations displaced as a direct or indirect result of the upheavals of recent years. It is not proposed to discuss future political problems in Continental Europe, either national or international, yet political developments are bound to influence in some measure long-term economic reconstruction. The same applies to the whole question of repercussions in Europe of possible political and economic developments in countries outside the Continent, and of any further development in the organization by the United Nations of long-range plan?. It has been reported that at the conference at Atlantic City it was agreed that U.N.R.R.A. is to be concerned only with problems of relief and rehabilitation during a limited period after

[1] *The Times*, April 8, 1943.

the war. Long-range plans are apparently to be left to the work of individual countries or to other machinery which can be set up by the United Nations.

There are many unknown factors which must affect long-term European recovery. For instance, much must depend on the place which Germany is to occupy in the economic sphere, the degree of collaboration between the highly industrialized countries, and their economic relations with those less highly industrialized. During the war Germany in her own interests has centralized and co-ordinated by force or through collaboration nearly the whole of European economy. The question arises whether Europeans may in their own interests take advantage of the experience gained in the application of co-ordination to the whole field of raw materials production, marketing and transport, and in the future build up an economic structure freed from German control but more closely knit than before the war. For some time before the war several of the important industries in the West, as, for example, the French, German and Belgian iron and steel industries, maintained very close relations with each other. Under German control the process of centralization and cartelization of key industries has been carried much further. It may be that this process will have a very considerable effect on future industrial policy, and may change both the organization and the structure of many industries. If this should be the case, the trend may be towards a further growth of monopolies, and it may be asked whether these will be controlled in the interests of the consumer, or whether there may be a tendency to the formation of new and powerful vested interests working primarily for their own immediate benefit.

While Germany's war policy has been to discourage all industries considered unessential for her own ends, she has given great encouragement to many key industries outside the Reich, and some benefits may be derived from this in the future. Such industries will have acquired a knowledge of German processes and patents. In particular, in the field of synthetics and chemicals, for which Germany even before the war was the leading European producer, German production methods have now become available to local plants outside the Reich. In France, Belgium and the

Netherlands, there has been some expansion in the production of synthetic textiles, and in Yugoslavia and elsewhere new chemical industries have been started. This wartime trend towards increased production of synthetics based on chemical processes raises the whole question of what part the production of substitutes may play in European reconstruction. Wherever coal, wood or oil is available, or where there is a flourishing agricultural economy, chemical technology can now produce a vast number of substitute raw materials such as petrol, rubber, ammonia, textile fibres and plastics, all of which can be used to replace materials some of which had formerly to be imported. It is true that the chemical processing requires high expenditure of fuels, and that for the production of some substitutes coal is required as basic material, but even if ample supplies of coal are lacking, provided cheap water power is available a country may still be in a position to establish an important chemical industry for the production of synthetics. Countries such as Germany, France, Belgium, the Netherlands and Poland have very considerable resources of coal. Italy and Norway are two examples of countries that already possess well-developed water power, while countries such as Yugoslavia and Rumania have a very substantial water-power potential. The possession of large forest reserves also gives to a country a natural advantage, for wood serves not only as a fuel but also as basic material for the production of industrial sugar and its derivatives, synthetic textile fibres, and of wood powder for plastics.[1] At this stage it is impossible to estimate accurately the comparative cost positions after the war of the new and the old methods of production, but it is not unlikely that, judged by even the severest economic tests, some of the new methods will be found also to be the best.

In the course of war Germany has also developed metallurgical resources outside the Reich for the production of metals which could be substituted for those which Europe lacks, and this may have far-reaching effects on industrial practice. For instance, in the future light aluminium alloys will certainly be used extensively. France has ample bauxite resources, and under German influence

[1] Cecil H. Desch, *Substitute Materials in War and Peace.* Royal Institute of International Affairs 1943.

efforts have been made to expand her aluminium industry in spite of power difficulties. Hungary and Yugoslavia also have considerable bauxite resources. It seems probable that the use of alternative metals and also of plastics, in engineering and in other industries, has come to stay. Not only has Germany expanded many industries in occupied countries, but she has also been forced by the danger of aerial attack in the west to bring into production new industries which have been constructed for some time in areas in Central Europe thought to be safe, such as western Poland, Czechoslovakia and Austria. Taking all factors into consideration, it seems clear that if increased industrialization is to be desired as part of the process of long-term reconstruction, the war itself may in certain directions already have paved the way for the realization of this objective.

Even before the war it was generally recognized that in the less industrialized countries of eastern and south-eastern Europe, owing to the excessive density of agricultural population, there was an acute economic problem. Increased and wisely directed industrialization, together with an advancement in agricultural methods and organization, appear to be at least a partial solution. The policy of the Germans in the south-eastern countries, in so far as they have given any encouragement at all to industry for their own benefit, has laid emphasis on the development of light industries or on certain key armament plants under their direct supervision. As there are no extensive coal and iron deposits in south-eastern Europe, the indications are that future development should be concentrated not on heavy metallurgical industries but on the production of light metals, textiles, fertilizers etc., and also the processing of agricultural products. With the development of water power in south-eastern Europe, where the potential for hydro-electric power is enormous, if use is made of the waters of great rivers such as the Danube, it is possible for the fuel problem to be overcome. With an expansion for domestic use of local natural mineral resources such as the bauxite mines in Yugoslavia, and also an expansion of industrial crops such as cotton and oil seeds, there seems no reason why many new light industries should not be started. The question then must arise as to who is to supply the capital goods required for the

rapid establishment of such industries. It may be that Germany will be called upon to provide at least some machinery to countries such as Yugoslavia and Greece as a recompense for the war destruction for which she has been responsible. On the other hand, it seems clear that if a solution of the problem of overpopulation in the countries of eastern and south-eastern Europe is to be found by increased industrialization the British Commonwealth and the United States will probably have to play a major part by providing capital goods on a basis of long-term credits.

The question of a long-term post-war agricultural policy was discussed at the Hot Springs Conference, and it was recommended that every nation should encourage changes in the pattern of production designed to give greater emphasis to foods rich in vitamins, minerals and proteins. The view was held that this could best be achieved

> "(i) by encouraging the production, particularly in areas near consumption centres, of such products as vegetables, fruits, milk, eggs and meat, which are relatively perishable and high in value and which are also the foods required in greatly increased quantities for better nutrition; (ii) by encouraging the expansion of livestock production in areas capable of growing or economically shipping in the necessary feed-stuffs; (iii) by limiting the production of bulky, easily-stored and transported energy foods, in areas where they cannot be produced efficiently; (iv) by encouraging the production in single-crop areas of a greater diversity of foods for home use, since these areas are, in general, distant from the sources of perishable products and are particularly in need of improved diets; (v) by likewise encouraging more diversified and adequate home food production in all farming areas, so that rural people may have more and better food, while eliminating the margin between producer and consumer."[1]

The Conference also made recommendations for necessary occupational adjustments in agricultural populations, and stated that areas which have a large agricultural population in relation to their agricultural resources should (i) develop industries suitable to the area, in particular industries associated with agriculture, (ii) be encouraged to export processed articles instead of raw products, and to take advantage of any reductions in trade barriers in the import-

*Cmd. 6451 HM Stationery Office 1943.

ing countries, and (iii) be assisted in securing capital for the development of industrial and transportation facilities and for the development of export outlets for processed products.

As regards long-term reconstruction of agriculture in Europe, it is in the low-yield areas of eastern and south-eastern Europe, mainly based on small peasant holdings, that there is probably the greatest need for change.[1] Here, owing to agricultural over-population and backward methods of cultivation, the level of nutrition and the general standard of living are outstandingly low, and, while industrialization can do much to alleviate conditions, agricultural improvements will also be a necessity. An essential to such improvements may be certain reforms of existing systems of land tenure in some areas. There is undoubtedly scope for a greater use of agricultural machinery for certain purposes, probably on a co-operative basis. Many improvements could be effected by the greater application of scientific knowledge, both to large-scale farming and to the building up of intensive cultivation and the development of a greater diversity of crops. Improved methods of organization will also be needed, such as new and more efficient systems of marketing and distribution. The Germans, in their own interests, have already initiated certain improvements in organization, and these can possibly be turned to advantage if used for the good of the local population. If agriculture as well as industrialization is to go ahead, assistance will in all probability have to be rendered by the British Commonwealth and the United States. They may be called upon not only to provide agricultural machinery and other agricultural necessities, but also to supply help in the field of technical knowledge, and in relation to market outlets.

It has been shown that in long-term reconstruction the development of hydro-electric power may prove to be an important feature, for cheap power is essential for rapid industrialization. In this field there seems to be scope for international co-operation. If hydro-electric development can be planned, not on a national basis but on a large scale, by co-operation between countries in the various regions where a high water-power potential exists, then cheap power

[1] P. Lamartinc Yates and D. Warrincr, *Food and Farming in Post-war Europe.* Oxford University Presa. 1943.

could be distributed by a grid system over wide areas with a disregard for political frontiers. By the utilization of potentialities which are as yet little developed much could be done; for example, a large-scale hydro-electric system could be established to supply cheap power to all countries lying within the Danubian area. By co-operation advantages could be attained both as regards initial costs and technical efficiency. In countries where there is already a well-developed hydro-electric system, this could be expanded in order to supply power beyond national frontiers.

Development in transport is another essential feature of reconstruction in Europe. In some areas the Germans, for strategic and economic reasons, have expanded railway and road communications, and advantage will no doubt be taken of this in the future. Further expansion will almost certainly be necessary. In spite of progress in other forms of transport, notably air communications, inland water transport will probably continue to be dominant in the movement of heavy traffic, since it still provides the cheapest method. Europe is characterized geographically by large navigable rivers, such as the Elbe, the Rhine, the Danube, the Oder and the Vistula, which for the most part cross international boundaries. There is already an elaborate system of inter-connecting canals, and the Germans have initiated a programme for much improvement and expansion in the whole international waterway systein and have brought it more or less under unified control. If full advantage is to be taken of what has already been done towards providing Europe with important inland waterway communications, some measure of international planning in the future would appear to be essential. In air transport there is certain to be a vast expansion, with a great increase in the carrying of passengers and also of all light valuable goods and mails. Here there is an obvious field for international co-operation between the Continental countries, themselves and with the rest of the world. For certain countries, notably Norway, the Netherlands and Greece, which before the war derived a substantial part of national income from shipping, an important factor will be the reconstruction of their merchant marine and the place which their shipping activities are to hold in **the** carrying of international trade.

All the above paragraphs are no more than indications of certain factors that seem likely to play at least some part in long-term economic reconstruction in Continental European countries, in particular those now under German domination. The economic future of Europe must of course be influenced to a large extent by the degree of security against future wars that can be built up. At the conclusion of the Moscow Conference (October 19-30, 1943), the Governments of the United States, the United Kingdom, the U.S.S.R. and China recognizing "the necessity of ensuring rapid and orderly transit from war to peace and of establishing and maintaining international peace and security with the least diversion of this world's human and economic resources for armaments," jointly declared:

"(1) That their united action, pledged for the prosecution of the war against their respective enemies, will be continued for the organization and maintenance of peace and security;

(2) That those of them at war with a common enemy will act together in all matters relating to the surrender and disarmament of that enemy;

(3) That they will take all measures deemed by them to be necessary to provide against any violation of the terms imposed on the enemy;

(4) That they recognize the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all peace-loving States and open to membership by all such States, large or small, for the maintenance of international peace and security;

(5) That for the purpose of maintaining international peace and security pending the re-cstablishment of law and order and the inauguration of a system of general security they will consult with each other, and, as occasion requires, with other members of the United Nations, with a view to joint action on behalf of the community of Nations;

(6) That after the termination of hostilities they will not employ their military forces withi n the territories of other States except for the purposes envisaged in this declaration and afterjoint consultation; and

(7) That they will confer and co-operate with one another and with other members of the United Nations to bring about a practicable general agreement with respect to the regulation of armaments in the post-war period."[1]

[1] *The Times*, November 2, 1943

The general post-war policy of the United Nations towards world economic problems has already been outlined broadly on many occasions. Detailed planning of long-term reconstruction has as yet, however, only reached the stage of initial discussion and investigation. The importance for the rest of the world of continental Europe, which (excluding the U.S.S.R.) has some 400 million inhabitants, contains some of the wealthiest and most highly developed regions on the globe, and before the war accounted for roughly one-third of total international trade, is obvious. In the direction of world economic policy Europe must therefore play an important role, and it is no less true that in the direction of European economic policy, its relations with other parts of the world must also be factors of first-rate importance.