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## THE POLITICS OF BUSINESS IN THE ECONOMIC *GROSSRAUM*: THE EXAMPLE OF BELGIUM\*

The purpose of this paper is to consider the experience of occupied Belgium in light of the extraordinary success of Hitler's attempt to harness the European economy to the Nazi war effort. Stated baldly: industry in northern and western Europe became a vast engine for the transformation of raw materials from the Balkans into the artifacts of war needed to conquer the East. The immense material yield from the *Grossraum*, 80.1 billion RM by March 1944, enabled the Reich to sustain warfare even after the military setbacks in the Russian Winter of 1941-1942<sup>1</sup>. The eventual defeat of the Third Reich occurred in spite of it.

The responsibility for having harnessed the Belgian economy to the Reich war effort rests primarily with Belgian and German business. The willingness of the former to collaborate is the fundamental reality of the occupation. The decision to produce for the requirements of the Nazi war effort rested with the directors of the giant holding companies which dominated the Belgian economy. Once it had been taken, they adopted, often with the cooperation of German authorities, the measures necessary to enforce it<sup>2</sup>. "Moderates" within German business are mainly to thank for the fact that this willingness to collaborate was perpetuated. It is difficult both to identify this group precisely and to distinguish it from its "Nazified" opposite, not least of all because such attitudes sometimes could be changed by time and circumstance. The customary dichotomies used as criteria to determine membership in one or

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\* The author would like to thank the University of Missouri-St. Louis and, in particular, Professor Edwin Fedder, Director of its Center for International Studies, for having provided a grant to cover travel expenses incurred in the presentation of this paper.

<sup>1</sup> EC-86 "Report of Working Staff for Foreign Countries, 10 October 1944, including Breakdown of Occupation Costs. Rates of Exchange and Purchasing Power of Reichsmark (noting black marked influences) in Citing Requisitions of Funds in Occupied Countries, 10 October 1944; R7/2255 "Herrn Ministerialdirektor Schlotterer, Betr.: Material für den Vortrag am 24.4.1944."

<sup>2</sup> See John Gillingham, *Belgian Business in the Nazi New Order*, Jan Dhondt Foundation (Ghent, Belgium, 1977).

the other group—heavy versus manufacturing industry, “new” versus “old” industry, domestic- versus export-oriented industry — tend to break down upon close examination. The scope of this paper is, however, limited to Belgium, and there two powerful business interests exercised an indisputable moderating influence. The first was the Deutsche Bank. It entered a kind of mutual defense pact with the dominant Belgian holding company, Société Générale de Belgique. The second was the heavy industry of the Ruhr: it carved for Belgian industry a place in German production programs and set up the machinery for an orderly allocation of orders to the occupied country. We will describe the activities of both of them. Their influence was, however, also felt in Reich policy. Their representatives on the economic staff of the occupation government objected whenever the influence of economic freebooters and nihilists made itself felt in Belgium. Leading figures from banking and heavy industry also intervened at the top level of Reich policy to oppose the introduction there of radical approaches. Finally, the substantial value of Belgium’s material contribution to the Reich war effort provided, particularly as the war dragged on, a potent argument against economic and political adventurism. The success of Hitler’s economic policy in Belgium should indeed be attributed to the relative absence of his interventions, and those made in the name of his ideology.

Belgium’s economic collaboration with the Reich was organized from the top down. On 7 March 1936, King Leopold III, understandably dubious as to Anglo-French guarantees of Belgium’s neutrality and deeply concerned lest the Germans exploit Flemish dissatisfaction in order to destroy his Kingdom, renounced his alliance with the Western Powers. His decision set Belgium on a course of moral indifference and defeatism which contributed not only to allied military defeat in 1940 but prefigured a policy of accommodation after conquest. It surfaced in June 1940 as the so-called “Politics of Production”. They were grounded in the proposition that Hitler would allow Belgium to conduct its own internal affairs if it produced in the interests of the Reich war effort. The policy was endorsed by the King, the Secretaries-General (the career chiefs of the civil service), and not opposed by the Pierlot Government which, at German command, was soon exiled<sup>3</sup>. It placed the fate of occupied Belgium in the hands of the directors of the giant holding companies. Not surprisingly, the same men, meeting as the so-called “Galopin Committee”, were the actual architects of the “Politics of Production”.

Their prominence derived from certain peculiarities in the Belgian historical experience. The most important holding company, the Société Générale de Belgique (f. 1822), is actually older than the Kingdom itself. It has dominated

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<sup>3</sup> See J. Gérard-Libois and José Gotovitch, *L’an 40: La Belgique occupée*, 2<sup>me</sup> tirage (Bruxelles, n.d.).

its industrial and financial development down to the present. It has been estimated that in the late-1930's *la Générale* controlled 25 - 30% of Belgian coal mines, 48% of iron and steel manufacture, 60 - 70% of zinc smelting, 20% of railroad and traction, 40% of maritime shipping, 30% of the electrical manufacturing industry, 40% of artificial silk manufacture, 10% of cotton spinning and weaving, 90% of sugar refining, 50% of tobacco processing, and 80 - 90% of "colonial goods". It also controlled, through its affiliate Société Générale de Banque, over 60% of the entire Belgian banking business and the major insurance companies as well<sup>4</sup>. Its foreign assets, both on the Continent and in the Congo, were also very substantial. Most of the remaining large Belgian production units were owned or controlled by other holding companies patterned on the Société Générale. The most important of them was the Banque de Bruxelles-Brufina-Cofinindus complex put together in the interwar period by Baron Paul de Launoit<sup>5</sup>. The Solvay family, with its vast network of foreign affiliates, was a third major "presence" on the Belgian scene. Complicated interlocking patterns of stock ownership joined Solvay and *la Générale*. Numerous strong ties linked it as well to the other Belgian holding companies. To take but the steel industry as an example: the de Launoit group controlled approximately one-third of its production. Together with the Société Générale, it could dominate it. The two were also the largest and second largest shareholders in ARBED of Luxemburg, a firm whose size dwarfed any single Belgian producer. The Belgo-Lux steel industry was, in other words, largely controlled by the combined influence of the two groups. There was in fact little room for competition in steel or elsewhere between the different holding companies. They are best thought of as comprising a single financial community. Its recognized head and spokesman in all matters of public policy was the Governor of the Société Générale, for our period Alexandre Galopin. He was the figure referred to by the occupation authorities as the "Uncrowned King of Belgium".

The interpenetration of the holding companies and Belgian political life was thorough<sup>6</sup>. A seat on the board of one of them was, and remains, the sought-after capstone to most political careers. The royal family is reputed to be the largest single shareholder of *la Générale*. It is hardly surprising, then, that Belgian public policy has generally been responsive to the wishes of the financial community nor that King and Cabinet have, at times, delegated it far-reaching powers. The Société Générale virtually managed the Belgian economy

<sup>4</sup> "Banken und Industrie in Belgien", *Belgien-Handel* (Brüssel, 1 August 1941).

<sup>5</sup> John Gillingham, "The Baron de Launoit: A Case Study in the 'Politics of Production' of Belgian Industry during Nazi Occupation," *Revue belge d'histoire contemporaine*, V, 1974, 1 - 2, pp. 1 - 59.

<sup>6</sup> See Jean Meynaud, *La Décision politique en Belgique. Le pouvoir et les groupes*. (Paris, 1965).

during the German occupation of 1914 - 1918<sup>7</sup>. Its authority to do likewise after 10 May 1940 was initially unchallenged by the population at large. Thus the Galopin Committee held itself up to the Belgian nation as a "moral guide" and bade that its example be followed<sup>8</sup>.

German business activities in occupied Belgium make sense only against the background of its relations to the regime. Its fundamental loyalty remains beyond serious doubt. Hitler secured it in two ways: by the grant of "self-administration", which enabled business to manage its own affairs, and by the remarkable prosperity of the 1930's, which brought it disproportionate benefits. The close relationship between it and the regime found expression in the so-called *Organisationen der gewerblichen Wirtschaft*. They had both a public and private side. The former consisted of *Reichsgruppe Industrie* and its branch organizations, the *Wirtschaftsgruppen*. They took over responsibility for administering economic mobilization policy, the allocation of foreign exchange, raw materials (through the *Reichstellen*) and government contracts, and the enforcement of rationing practices, etc. The private side consisted of cartels, whose formation and spread was encouraged by Reich policy. They reinforced the position of "the powers-that-be" in each branch and within industry as a whole. The *Organisationen* thus tied the business community to its leaders, and the leaders to the regime<sup>9</sup>.

There were, however, two important sources of business conflict with it after 1937. The first of them was the existence of the Four Year Plan. Dietmar Petzina has brilliantly demonstrated the dramatic changes in the structure of industry which occurred as a result of its new investments in the production of artificial materials<sup>10</sup>. The appointment of Hermann Göring as Plenipotentiary for the Four Year Plan presented an insurmountable obstacle to the coalescence of interests between old industry and new. He used his considerable political weight on repeated occasions to derive maximum advantage for the interest under his patronage. Thanks to him, economic figures of pronounced nazi views were often catapulted into prominence. Not surprisingly, confrontation replaced conciliation as the order of the day in the world of business. And time and again in the years from 1937 to 1940 traditional interests found themselves outmaneuvered and out-muscled, both at home and in the newly-annexed and occupied territories. The results are too well-known to require more than brief mention at this point—the meteoric growth of the *Reichswerke* Hermann Göring into an industrial conglomerate of unprecedented dimen-

<sup>7</sup> Jean Dhondt, *Histoire de la Belgique* ["Que sais-je?"] N. 319 (Paris, 1963,) p. 109f.

<sup>8</sup> "Devons-Nous Reprendre la Production Industrielle en Belgique? Dans Quelle Mesure?"

<sup>9</sup> Gillingham, *Belgian Business*, p. 11f.

<sup>10</sup> *Autarkiepolitik im Dritten Reich: Der nationalsozialistische Vierjahresplan*.

sions<sup>11</sup>, the breathtaking expansion of IG Farben, the apparent omnipresence and obvious greed of the Dresdner Bank. It may well be no exaggeration to speak in these years of the emergence of a new "bloc" in German business which identified its aims and policies with the nazi system. The new, Göring-associated interests were, at any rate, regarded by tradition-minded businessmen as fearsome present competitors and dangerous future economic influences. One important motive of their policy in Belgium was therefore to locate potential allies for the showdown looming on the domestic front.

The second conflict was between the economic priorities of business and the regime. It arose only with the full employment generated by the rearmament boom. Industry had welcomed armaments orders so long as capacities remained idle. The apparently insatiable requirements of the Reich after 1937 for weaponry, however, threatened both its independence and profitability. There were, first of all, real dangers in becoming wholly dependent on the Reich as a buyer. This fact exercised a pervasive, subtle influence in the behavior of businessmen generally. Its manifestation was the "foot-dragging" so often complained about by Hitler and military purchasers. As for profitability, business found itself being asked to forfeit civilian markets which had been carved out at great expense, offered good immediate profits, or sound long-term prospects. And for what? Military orders which, because of the inability of the armed services to agree on a single priority scheme, were subject to disruption and stoppages. The inadequate administration of military order placement, in other words, added to the distance separating business and the regime. It too stood in the way of a wholehearted German business commitment to building the economic *Grossraum*<sup>12</sup>.

Hitler had no well-considered plans for Belgium. In policy matters, he treated it merely as a component of the Western European rear area which was the prerequisite for an eventual *Drang nach Osten*. His main concern was to govern there with a minimum commitment of men and material. The occupation government in Brussels, like its counterparts in Paris and the Hague, was a "supervisory administration" (*Aufsichtsverwaltung*). Its effective head, *Militärverwaltungschef* Eggert Reeder, commanded an apparatus of no more than 1000 persons. It lacked the power either to intervene decisively in Belgian internal affairs or to impose occupation policy on the authorities in Berlin. The composition of its staffs as well as the limits set to its authority reflected the distribution of power in the Reich. The *Referenten* of its Economic Section,

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<sup>11</sup> See Matthais Riedel, *Eisen und Kohle für das Dritte Reich, Paul Pleigers Stellung in der NS-Wirtschaft* (Göttingen, 1974); G. W. F. Hallgarten and J. Radkau, *Deutsche Industrie und Politik von Bismarck bis heute* (Frankfurt a. M., 1974), p. 231f.

<sup>12</sup> See J. S. Geer, *Der Markt der geschlossenen Nachfrage* (Berlin, 1961); Georg Thomas, *Geschichte der deutschen Wehr- und Rüstungswirtschaft* (1918 - 1945/5) (Boppard, 1966).

for instance, were virtually appointed by parent *Wirtschaftsgruppen* or large German firms. Some economic matters, however, particularly in the armaments sector, were declared to be beyond its authority. In the latter, an offshoot of the *Wirtschafts- und Rüstungsamt* of the OKW held forth, *Rüstungs Inspektion Belgien*. As for Reich policy towards the occupied area, it evolved merely as a response to military necessity. In Summer 1940, with the *Wehrmacht* triumphant, all possibilities were open. The abandonment of plans to invade England at the end of August 1940 brought an immediate decision to give priority in overall occupation policy to the Reich's need for war production. The decision to leave the management of this policy in the hands of the Belgian business leaders was taken, more or less by default, in Spring 1941. It secured until D-Day Belgium's position in the New Order as supplier to the Reich's war effort<sup>13</sup>.

The orientation of the Belgian economy to a Europe dominated by the the Reich — the problem faced by the Galopin Committee after 10 May 1940 — required economic adjustments of a fundamental character. New German markets had, in brief, to be found for the 88% of Belgian exports normally sold outside of them. To complicate matters, the bulk of Belgian pre-war sales in the Reich had been reexported goods of colonial origin. German industry was, in addition, overbuilt precisely in those lines where Belgium had lost markets due to the British blockade and the imposition of German commercial controls on the Continent. The Belgian business leaders did, however, dispose of a policy. Its outlines gradually took shape in Summer 1940<sup>14</sup>.

*First*, because the Reich lacked both *Devisen* and an export surplus, German purchases in Belgium had to be financed. The necessary machinery was set up in three steps. In May an emergency credit institute was created to redeem the *Reichskreditenkasse* outlays of the *Wehrmacht* units streaming through the country. Next, in mid-August, the Belgian state made a huge advance of 3 billion BF to the Military Government, in theory to cover "occupation expenses" but in fact to stimulate order placement. It is worth noting that the decision to make this grant was taken at the headquarters of *la Générale*. The Secretary General of Finance, a willing creature of holding company bank policy, "learned" of it a week after the fact. The occupation payments, stabilized at 1.5 billion BF per month, flowed into the coffers of the *Wehrmacht* units in Belgium until September 1944. Finally, a new mechanism, the Banque d'Emission, was set up to finance purchases from the Reich over the Belgo-German Clearing. It was devised and wholly owned by the big holding companies and their affiliates. The *Emission* in fact existed in name only. It occupied the same premises as, and was run by, the staff of the Banque

<sup>13</sup> Gillingham, *Belgian Business, op. cit.*, Ch. II.

<sup>14</sup> See also „Devons-Nous...,” *op. cit.*

Nationale de Belgique, the central bank of issue. The *Nationale* was also a privately-owned organization. The Société Générale was its largest shareholder. Through the *Nationale*, the *Emission* could pay BF to Belgians selling buyers in the Reich. The *Emission* received in return a totally worthless RM credit inscribed in the name of the transfer agent, the *Deutsche Verrechnungskasse*. The *Nationale*, of course, carried in its books an equally worthless credit from the *Emission* of the same amount. Like the occupation payments, the transfers over the *Emission* became a feature of Belgian life until September 1944. The debt owed it as of that date by the *Verrechnungskasse* was 66 billion BF<sup>15</sup>.

*Second*, Belgian goods had to be made cheap enough to attract Reich buyers. There was no objection on the Belgian side to the German reduction of the BF from 7 - 8 : 1 RM to 12.5 : 1 RM. Labor costs also had to be reduced. According to German reports, in June Belgian employers imposed wage cuts so drastic that the Military Administration, concerned for the maintenance of public order, issued a directive that they be rescinded. The position regarding the wage level adopted at the 7 and 14 July sessions of the *Comité Central Industriel*, the main Belgian employers' organization, was that "it ... must be determined by the following considerations: 1. With rationing there will be little to buy. 2. With the release of prisoners-of-war there could be up to 1.5 million unemployed. 3. Wages must therefore be paid only when business conditions permit<sup>16</sup>". The employers' organization objected to the 20 August 1940 order of the German-appointed Wage and Price Commissioner that wages and prices be frozen at the levels of 10 May. Employers soon discovered, however, that while wages could be held level price increases could be passed on. Criticism of the Wage and Price Commissioner ceased.

*Third*, discipline had to be imposed on both management and labor. The Galopin Committee drew quite self-consciously in this regard from national socialist models of industrial organization. For the orderly transfer of orders from the Reich to Belgium and within Belgian industry producers syndicates had to be formed in branches where they were absent and strengthened where they existed. The summer witnessed a spate of cartel formations. They range in importance from SYBELAC (*Syndicat Belge de l'Acier*) to *Consortium des Fabricants Belgs de Surces Invertis de Sirops*. As in the Reich, the cartels were intended to operate in tandem with the organizations for allocating raw materials. For this purpose, so-called *Warenstellen/Offices centraux de Marchandise*, one *per* branch, were set up. *Groupements professionnels*, analogues to *Wirt-*

<sup>15</sup> Comité d'Enquête. Rapport sur la situation et les opérations de la Banque d'Emission a Bruxelles (Bruxelles, 1946); Fernand Demany, *On a volé 64 milliards*. (Bruxelles, n.d.).

<sup>16</sup> Personal archives.

*schaftsgruppen*, also appeared<sup>17</sup>. As for labor discipline, on 31 August 1941 the "Sous-commission patronal" of CCI published an "Etude des problèmes des relations entre les patrons et les ouvriers," which praises the abolition by the Occupying Power of labor unions, works councils, and *commissions paritaires* (joint wage negotiating committees). It also argues against the set up of the substitute organizations adopted in various fascist systems (whose power it grossly overestimates) and welcomes the opportunity to reinstitute the "Herr im Hause" status enjoyed by employers prior to World War I! For the rest, it counts on the massive anticipated unemployment to instill a "productive attitude" in employees. This much, then, can be said in summation of the policies instituted by the leaders of Belgian business in Summer 1940: they provided effective means of channeling production to the Reich at the cost of the public. The success of the scheme depended, however, on a German willingness, and ability, to exploit the opportunity opened to it in a rational manner. The risks entailed by the "Politics of Production" were, in short, immense.

There was no single, or even coordinated, German business response to the onset of occupation in Belgium. Rather, there were two contradictory ones which, at times, even manifested themselves in the behavior of the same person or firm. The first was simply to plunder; the second, to build advantageous, long-term relationships with Belgian interests. The orgy of plundering — everywhere the concomitant of nazi conquest — was particularly frenzied in Belgium. Its participants represented the Four Year Plan, the *Wi Rü Amt*, the occupation forces, industrial firms, and trading companies, and included numerous individual fortune-hunters as well. The instinct to plunder was indeed integral to national socialism and could be suppressed only with difficulty, particularly so long as Hermann Göring, its embodiment, remained a "power" on the political scene. Plundering episodes would recur with distressing frequency in occupied Belgium. For present purposes, it is important merely to note that in Summer 1940 numerous German firms and branches of industry had imbibed the plundering spirit. The existence of numerous so-called "war aims studies"<sup>18</sup>, which frequently call for the virtual expropriation of Belgian competitors, makes this fact abundantly clear. At least one important Bank, the Dresdner, and one conglomerate, *Reichswerke Hermann Göring*, made serious efforts to put such policies into practice. Their failure provides part of the background to the negotiations which brought Belgian business into its New Order role as supplier to the Third Reich.

<sup>17</sup> Gillingham, *Belgian Business, op. cit.*, p. 71f.

<sup>18</sup> NIK-12403; T84/946/138659-703 „Die optische und feinmechanische Industrie in Belgien." R7II/615 „Grossraumwirtschaft: Stellungnahme der *Wi Gru Metallindustrie.*"



The conquest of Western Europe might, ironically, have been catastrophic for the *Reichswerke* Hermann Göring. It brought into the area of German domination a steel industry approximately as large and efficient as that of the Ruhr. Iron-ore in the form of *minette*, which previously had been in short supply, became readily available. Conquest, in a word, jeopardized both the Salzgitter low-grade ore mining operation and the huge new industrial complex built on it. It was a foregone conclusion that *Vorsitzender* Paul Pleiger of the *Reichswerke* would attempt to assert administrative control throughout the newly-conquered territory and, where possible, annex new production units as well. His previous successes in expanding the Göring empire into Austria, Czechoslovakia and Poland provided ample reason for concern on the part of the Ruhr steel industry. Even before the unfolding of military events they had in fact joined issue with the Göring group over a division of interests in Western Europe. In June "spheres of interest" in both coal and steel were carved out for both parties. The Campine region of Belgium and the Dutch mines built on the same seam were placed under the supervision of a Göring-appointee, *Bergassessor* Bruch. The remaining Belgian mines were put under the supervision of an ex-Inspector of Prussian Mines, a man well-known to Ruhr interests. Corvette Captain Otto Steinbrinck was assigned the authority to supervise the steel industries of Belgium, North France, Luxemburg, and Longwy. The non-annexed portions of Alsace-Lorraine were put under the supervision of Hermann Röchling. He was a Saar industrialist of vehement nazi convictions, a friend of Pleiger, and a long-standing enemy of the Ruhr<sup>19</sup>. The competition to annex new production units concerned mainly former German properties in Alsace-Lorraine and therefore excluded Belgium. There was, however, one important exception: ARBED of Luxemburg, second only to the Vereinigte Stahlwerke as a European steel producer. A substantial portion of its shares were held by the Belgian consortium led by the Société Générale. ARBED, for its part, held controlling interests in Felten Guilleaume, a huge metallurgical firm headquartered in Köln, and Eschweiler Bergwerk AG, the major coal producer of the Aachen district. The struggle of the *Reichswerke* to take over control of ARBED was waged with every political weapon its directors could bring to bear. Its ultimate failure was due in part to the existence of traditional bonds between the managements of ARBED and the Ruhr, but also to the strength new ones forged between the Société Générale and the Deutsche Bank.

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<sup>19</sup> Both Steinbrinck and Röchling were tried after the war by allied tribunals, the former as a defendant in "The Flick Case," the latter at a special French-Belgian-Dutch tribunal at Rastatt. The two trials generated a vast amount of documentary evidence. It can be found in the "NI" series of Nurnberg documents and in the "Röchling Trial Collection."

They, in turn, owed at least something to the dramatic but brief appearance of the Dresdner Bank on the stage of Belgian high finance. In mid-August 1940 its *Vorstandsmitglied* Karl Goetz appeared in Brussels with a mandate from the *Reichwirtschaftsministerium* to negotiate "capital interpenetration arrangements" (*Kapitalverflechtungen*) on a grand scale. The Dresdner had not, however, been allowed to operate in Belgium after World War I and disposed of few contacts there. Goetz himself had but a sketchy knowledge of Belgian holding company operations. His several meetings with Belgian financial leaders ended merely with impotent expressions of rage at their refusal to make concessions to the Dresdner, topped off by threats of the dire consequences that would befall those who denied Reich interests the primacy due them by conquest. The trip turned into an utter shambles. Goetz managed, first of all, to antagonize the Baron Paul de Launoit, an advocate of far-reaching schemes of economic collaboration. Willy de Munck, President of the *Société Générale de Banque* felt obliged to drop Goetz the disdainful reminder that "... you won't get a chunk of our capital in the peace treaty ... because we're playing a threesome that includes your neighbor, the Deutsche Bank. Given the importance of this ... connection ... our position could hardly be more secure ..." The Goetz trip, in short, forced *la Générale* even more closely into the arms of the Dresdner's most bitter rival<sup>20</sup>.

The close relationship between the giant Belgian holding company and the Deutsche Bank antedates the war but became more intimate with each step in the advance of German power<sup>21</sup>. The pivotal figure in it was Hermann J. Abs, who became chief of the bank's foreign operations after 1937. Among his many important responsibilities was to represent on various Boards of Directors the German interests of Belgian companies. He represented, for instance, Solvay, the largest foreign shareholder, on the Board of IG Farben. Political cooperation between the two banking institutions grew out of the settlement of interests in Southeastern and Eastern Europe. The Deutsche Bank's takeover after the *Anschluss* of the Credit-Anstalt/Wiener Bankverein (CABV) brought it into immediate partnership with the *Société Générale* in the Jugoslavischer Bankverein AG/*Société Générale de Banque* Yugoslave, Belgrad. The insistence of the majority German partner (50.3%) on the appointment to the Board of the German Counsel in Belgrad triggered *la Générale's* decision to sell out its 38.8% share. It demanded at the outset of negotiations in January 1940 payment of SF 15 per share; the Deutsche countered with an offer of 9 SF. Although mere consideration by the Deutsche of payment in *Westdevisen* represented a concession, it settled on 1 May 1940 at the original asking

<sup>20</sup> NI 4311; T301/18/7; NI 504; NI3840; NID 13906; NID 12511; T501/102/1356; NI 4311.

<sup>21</sup> OMGUS. *Investigation of the Deutsche Bank* (1947).

price<sup>22</sup>. The Jugoslawischer Bankverein agreement was parent to more far-reaching ones during the occupation. In August 1940 Abs, at the behest of the *Reichswirtschaftsministerium*, entered into negotiations with *la Générale* in order to acquire its shares in Banca Commerciale Romana (COMRO), one of the main Roumanian Banks. The Belgian institution held a 34% share of it, the remainder being held by Banque de l'Union Parisienne (BUP). Since the shares of both banks were held on a consortial basis, Abs dealt only with the Belgian partner which, for its part, gained the compliance of BUP to the eventual agreement of March 1941. Once again, it was generous to the seller: "COMRO prices were based not on the direct rate of exchange between Lei and Franc but over the rate Lei-Reichsmark, Reichsmark-Franc, which improved the selling price approximately 40%"<sup>23</sup>. Other important Belgian liquidations in the area followed on the heels of this settlement. Petrofina, then controlled by *la Générale*, sold its Roumanian operation, Concordia, to the Deutsche Bank<sup>24</sup>. It became one of the two properties held by the nazi petroleum consortium, Kontinental Ö AG. The Deutsche Bank was consortial leader and the dominant influence in the new organization. There may well in fact have existed "... a general agreement between the Deutsche Bank and the Société Générale ... to consult on all important transactions in which the latter had an interest"<sup>25</sup>. If so, the merger of SAG (Schlesische Aktiengesellschaft für Bergbau und Zinkhüttenbetrieb AG, Lipine, Poland) with SCHLESAG (Schlesische Bergwerks und Hüttenbetrieb, Beuthen, Germany) can serve as a monument to it. Belgian and French interests, headed by *la Générale*, held control-line shares in SAG but management was in the hands of Polish nationals. The Belgo-French acquiesced, first of all, in the German order to remove them. The consortial partners also conducted, over Swiss markets, the sales necessary to provide the Reich with a control-line interest in SAG. The RWM rewarded the Deutsche Bank for Abs' management of the entire operation by increasing its participation in the new company from 20% to 27%<sup>26</sup>.

The Deutsche Bank-Société Générale settlement relating to Luxemburg was fundamental to Belgium's position in the New Order. The Grand Duchy was, after all, a logical place to draw a line between German and Belgian economic interests. It had traditionally served as a funnel for the flow of Belgian capital into West German industry and was also the place from which this substantial stake had been managed. The key negotiations concerned the Banque Générale de Luxemburg, which was 60% owned and completely controlled by the Belgian holding company. In August 1940, de Munck approached Abs with the proposal

<sup>22</sup> Ibid., Exhibit 181, 209, 298.

<sup>23</sup> Ibid., Exhibit 203.

<sup>24</sup> Ibid., p. 249f.

<sup>25</sup> Ibid., p. 34.

<sup>26</sup> Ibid., p. 48f.

that his bank take over one-half of *la Générale's* participation. Agreement was soon reached at 200% par. De Munck remained as Chairman of the Board but both Abs and his assistant for Belgian affairs, Kurzmeyer, were given new seats on it. The agreement, in other words, while allowing for an increased German voice, confirmed the paramouncy of Belgian interests in Luxemburg. It is of even greater significance that the agreement called for a retrocession of shares on the same terms in the event of an "unfavorable outcome of the war". To be sure, this stipulation provided the Deutsche Bank with a form of reinsurance. It may also indicate that both parties regarded the entire transaction as one involving custodianship rather than a transfer of owners. Be as it may, one upshot of it was Abs' commitment to "prevent significant amounts of ARBED shares from finding their way into undesirable hands". He is due at least partial credit for the fact that the steel firm did not fall under the control of Göring but was instead put in the hands of a trustee who managed it "as if it were a German firm"<sup>27</sup>. Of even greater importance: the Luxemburg settlement committed both parties to preserving as far as possible the *status quo ante bellum* regardless of the outcome of the war. It was an alliance, in other words, which transcended political loyalties.

The policy put into practice by Ruhr heavy industry was the strongest structural support of Belgium's position in the New Order. It was traditional in character. The occupation of Western Europe provided the Ruhr an opportunity to impose upon its counterparts policies which, in the common interests of heavy industry, it had continuously urged them to adopt during the interwar period. Their central feature was the orderly allocation of markets. It required, of course, an agreement as to quotas but, more basically, the existence in each producing region of organizational machinery to regulate domestic as well as foreign sales. Experience had demonstrated beyond serious doubt that disruptions on the domestic market resulted in surpluses to be dumped elsewhere or shortages which stimulated competition. The history of Ruhr efforts to set up producer syndicates can hardly be traced at this point. It should, however, be mentioned that the outbreak of war interrupted negotiations of a fundamental character for the formation of a European coal syndicate. It was intended to complement the coke syndicate (which included British producers) set up a year earlier. Not only in the Ruhr but in Britain and Belgium as well the coal negotiations were viewed as a prelude to still more far-reaching international collaboration<sup>28</sup>.

The occupation of Western Europe did not change the character of Ruhr policy towards Belgium. In coal, the several "war aims studies" drafted, which

<sup>27</sup> Ibid., Exhibit 387; p. 209f.

<sup>28</sup> "Anglo-German Trade." *The Times* 22.2.39; 4C0101320/88 "Internationale Kohlenverstandigung".

do not differ in essentials, call for the creation in all districts, including British, of syndicates patterned after the *Rheinisch-Westfälisches Kohlensyndikat* and a common coal council to allocate international markets. The Ruhr's preponderance in the overall structure is accepted as a fact of nature rather than a dictate of power-politics. The studies specifically do not call for re-distributing the quotas provided for in the European coke convention nor those foreseen in the coal negotiations.<sup>29</sup> This relative generosity is due, in part, to the high level of German domestic demand. The Ruhr had in fact been unable to meet its coke export quotas since 1938. No change in this respect was in sight. The Ruhr also feared that any drastic reallocation of coal markets, even of prices in them, would result in stepped-up competition from Rhenish brown coal, hydroelectric power (Upper Rhein), and petroleum (seaboard markets). In the affairs of Belgian coal, the discussion of long-range plans soon retreated in face of the immediate need to step up production. The cessation of British coal exports to Western Europe resulted in a deficit of approximately 8.3 million T/year. Belgium, which had had an approximate balance of 28 million T/year in coal production and consumption had to fill the breach in order to prevent the industry of France, one third import-dependent for coal, from coming to a virtual standstill.<sup>30</sup> There was, in other words, the real possibility that the operation of Belgian industry would be sacrificed to French. The fact that this did not happen owes much to the settlement reached in Summer 1940 between Belgian and Ruhr steel.

Its terms were imposed by the Ruhr but on a basis satisfactory to Belgian steel. Steinbrinck, the Ruhr representative, described his mission as follows: "... it was decided at a 10 May 1940 meeting of the *Kleiner Kreis* ... to reorganize the Occupied Western Territories under unified leadership with far-reaching plenipotentiary powers, and to lead in matters of raw materials, manufacture, and sales, without regard to nationality and as a great trust... which would operate on the friendly basis of 1926 - 1939. For this purpose, suitable organs of self-administration [were to be set up] in order to steer production... and regulate sales through syndicates, and domestic and foreign deliveries as well. In each country there was to be far-reaching autonomy, to the extent allowed by general rules of rationing. For deliveries to one another and to third countries agreement was to be reached concerning prices and allowable

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<sup>29</sup> R711/652a "Denkschrift zur Neuordnung der europäischen Steinkohlenwirtschaft; 7.9.40."; B13/1782[708] "Zur Neuordnung der europäischen Kohlenwirtschaft." 28.8.40, 400101320/98 "Zur künftigen Gestaltung der europäischen Kohlenwirtschaft."

<sup>30</sup> For detailed analyses see Alan Milward, *The New Order and the French Economy*, (Oxford, 1970), Ch. VII, "The Exploitation of the French Coal Industry" and Etienne Dejonghe, "Pénurie charbonnière et répartition en France (1940 - 1944)", *Revue d'histoire de la Deuxième Guerre Mondiale*, No. 102, Avril 1976, pp. 22 - 55.

amounts. There was no intention of any attempt to influence the financial and business structure of the individual firm"<sup>31</sup>.

In early, June, Steinbrinck brought Belgian steel into the New Order on terms favorable both to it and the Ruhr. The settlement amounted to a form of "junior partnership". The Belgians agreed, first of all, to accept German steel orders only through the *Stahlwerksverband*. This concession ruled out direct sales to German manufacturers. It gave the Ruhr considerable power to regulate both the operating levels of the Belgian industry and the degree of its integration into the Reich economy. The Ruhr in turn committed itself to a substantial program of order-displacement. To handle this business a new cartel, SYBELAC, was created. It functioned on the domestic market as well. Indeed all Belgian steel orders had to be placed through it. Manufacturing, in short, could not take place without its authorization. SYBELAC thus was intended to provide the Galopin Committee with the instrument it needed for the central direction of economic activity in Belgium<sup>32</sup>.

The policy of "orderly exploitation" envisioned by businessmen in both Belgium and the Reich was, however, only partially successful. Blame for this result cannot be laid at the feet of Reich policy-makers. It was indeed decided as a result of protracted discussions conducted between March and May 1941 under the auspices of the Four Year Plan, first, to re-affirm the overall primacy of production considerations in Reich policy towards occupied Belgium, second, delegate the management of it to Belgian industry, and, finally, set Belgium's monthly goods shipments to the Reich at 100 million RM/1.25 billion BF. This target, however, proved to be too ambitious. It was not reached until September 1941 and its subsequent increase was due to inflation. The shortfall has a superficially obvious explanation: German industry could not generate orders in the amounts desired. There are several possible contributing factors which at least deserve mention at this point: the unsuitability of Belgian capacities for the manufactures in great demand: the red-tape involved in order-displacement procedures; general manpower shortages: and fear of creating future competition. It is, however, clear that German business made no extraordinary effort to remedy the situation<sup>33</sup>. Consequently, much of Belgian industry was left prey to economically destructive groups and tendencies. The first of them was the military in its various guises. It is impossible to do justice here to the irresponsibility with which the occupation forces, the *Luftwaffe* in particular, squandered their monthly occupation payments of 1.5 billion BF. Suffice it to say that they brought into existence the most active black market in Europe.

<sup>31</sup> NI 3557.

<sup>32</sup> Steinbrinck Dok 382, 3a, 8, 13, 15; NI 5326, NI3557, NI4226; See also Jörg J. Jäger, *Die wirtschaftliche Abhängigkeit des dritten Reiches vom Ausland dargestellt am Beispiel der Stahlindustrie* (Berlin, 1969).

<sup>33</sup> Gillingham, *Belgian Business*, op. cit., p. 74f.

*Rüstungs-Inspektion Belgien*, significant exertions to the contrary notwithstanding, also contributed substantially to economic disorder. Several key sectors of the Belgian manufacturing industry operated under its aegis. It proved unable to channel, even coordinate, order-displacement from the Reich or exercise effective supervision of Belgian producers. It did, however, collide frequently with "civilian" order-placers from the Reich, many of whom were in fact sub-contracting orders of military origin. The results was German administrative chaos and endless Belgian machinations. The culminating episode in economic disruption was "The Reichsmarschall's Campaign for the Official Extinguishment of the Black Market", which ran from May 1942 to March 1943. In these months, campaign purchasers, buying at multiples of up to *thirteen* times official prices, injected 525 million RM into the Belgian economy<sup>34</sup>. Göring's campaign both diverted Belgian goods from critical war needs and brought on a hyperinflation which severely disrupted the production process. It can be blamed for contributing substantially to the steady 1942 - 1943 fall in man-shift productivity in the coal mines which, given the shortage of the commodity, set an upper limit to the amounts that could be produced in occupied Belgium<sup>35</sup>.

They were, withal, immense. Belgium's unrecoverable clearing debt and payments for "occupation costs" totalled nominally 130 billion BF, 80% of which was spent on goods, the rest having been spent on services of Belgian *Wehrmacht* employees, transportation costs, and remittances of workers from the Reich. Correcting for 10% inflation and 40% undervaluation, the pre-war value of this amount is in the area of 65 billion BF. "Production in the German interest" is a difficult concept to measure, but two facts may give some insight into its meaning for Belgium. By 1941, 72% of total Belgian exports went to Germany (as opposed to 12% pre-war). The remainder went to German-authorized destinations. (Belgian imports, with insignificant exception, were limited to materials to be processed for German orders). Second, the annual cost of occupation payments involved sums greater than the pre-war Belgian budget. To look only at the key sectors of industry: From normal pre-war coal production of 28 million T, an amount barely sufficient to cover domestic requirements, Belgium exported to France between 1.5 and 2.5 T annually during the occupation and another 500,000 T to *Wehrmacht* units stationed there even though by mid-1943 production had dropped to a rate of 23 million T p.a. Most of the remaining amount was allocated to Belgian industry working under German contract. Only 1.2 of 4.6 million T

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<sup>34</sup> It probably need not be emphasized that Speer's eleventh hour move to create a "European war industry" would have required a thorough "housecleaning" of the German economic administration.

<sup>35</sup> Gillingham, *Belgian Business*, op. cit., "Ch. V.: The Black Market."

of Belgian steel produced between May 1940 and September 1944 went into manufactures for the Belgian civil market. German purchasing also dominated the manufacturing sector. Its "value added" was approximately two-thirds of total German industrial purchasing in 1942 and 1943. According to official Belgian estimates, it included the following percentages to production in various sectors: aeronautical industry, 97.7, 99; naval construction, 83.4, 84.6; vehicles, 71, 78; semi-finished iron, steel, and plate 59.1, 63.4; etc. Other important sectors of industry, for instance cement, worked almost exclusively for the Occupying Power. German purchasing in fact dominated every sector of the economy including consumer dry goods. In May 1940 textile-producing town such as Binche and Ronse, for instance, put themselves under contract to the *Wehrmacht* "for the duration." The "wicker-ware" artisans of Limburg devoted their labors to the production of shell-casing baskets. And the wood-hewers of the Ardennes contracted to supply shoes for the extermination camp at Auschwitz. Apart from the chronic, and increasingly severe, shortage of raw materials, the only obstacle to an increase in the yield from Belgium was the greed and incompetence built into the structure of Reich policy-making<sup>36</sup>.

Was the willingness of Belgian big business to collaborate unique or might its equivalents have contributed elsewhere to the success of the economic *Grossraum*? Doubtless several special considerations prompted the Belgian decision to collaborate: export-dependence, the language problem, and large European investments. It may also be true that Belgium's *laissez-faire* traditions gave business a larger voice in the determination of overall policy than elsewhere. A smattering of evidence nonetheless suggests that political differences seldom hindered collaboration on the economic plane: self-seeking, politically amoral business behavior was the rule rather than the exception to it. The American companies with the largest stake in the Reich-ITT, Ford, General Motors and Standard Oil of New Jersey—each made a separate peace with the regime in the 1930's. All made substantial contributions to the German war effort and prospered accordingly. In "neutral" Sweden, SKF (Svenska Kugellagerfabriken) dramatically stepped up exports to the Reich during the war, even of the most critical components and machinery, and in amounts that often exceeded those authorized by its own government. Some authorities consider this production to have been critical to the Reich war effort. The industrialists of the *Ostmark* transformed themselves into junior partners of *Altreich* firms with astonishing alacrity.

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<sup>36</sup> *Ibid.*, p. 189f; Fernand Baudhuin, *L'Economie belge sous l'occupation* (Bruxelles, 1945); "Note relative au comportement de l'industrie belge pendant l'occupation du pays."; T501/106/1238f, 12676, 2716. "Leistungsberichte" 1942, 1943; John Gillingham, "Economic Collaboration in Belgium" (MS, BRT-study, Jan, 1975).



The "eagerness to please" of Czech industrialists in the Protectorate has distressed its historians as well. A readiness to do business was no less evident in Western Europe. In France and the Netherlands large-scale joint ventures were set up with German partners, to wit, Francolor and the AKU-Vereinigte Glaszstoff merger. It is probably no accident that Reich policy towards the two other national components of the "Occupied Western Territories," similar in aim and operating under the same constraints as in Belgium, produced the same *per capita* yield. The opportunism of businessmen in the occupied countries may well provide the best one word explanation for the success of the economic *Grossraum*<sup>37</sup>.

But what of the contribution of German business? An answer requires, first, a substantial amount of additional research concerning its activities in the economic *Grossraum* but also a better understanding of the nature of the relationship between it and the regime. The author must leave it to others to explain why, in occupied Belgium, those Germans apparently least committed to the existence of the Third Reich in fact proved to be its best servants.

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<sup>37</sup> EC-86, op. cit.: Thomas De Bassio, "Unholy Alliance," *Penthouse*, May 1976, p. 74f; Klaus Wittmann, "Deutsch-schwedische Wirtschaftsbeziehungen im Zweiten Weltkrieg" in F. Forstmaier and H. -E. Volkmann (eds.) *Kriegswirtschaft und Rüstung, 1939 - 1945* (Düsseldorf, 1977), p. 182f; Norbert Schausberger "Die Auswirkungen der Rüstungs- und Kriegswirtschaft 1938 - 1945 auf die soziale und ökonomische Struktur Österreichs" in *ibid.*, p. 219f; Harald Winkel "Die «Ausbeutung» des besetzten Frankreichs" in *ibid.*; DB Study, Exhibit 418; Vojtech Mastny; *The Czechs under Nazi Rule: The Failure of National Resistance, 1939 - 1942* (New York, 1971).

