

REPORT OF PRELIMINARY MISSION TO LONDON ON  
BELGIAN RECONSTRUCTION AND RECOVERY

I. SUMMARY

Introduction

With the liberation of Belgium pending and the programming of Belgian post-liberation needs still in an incipient stage, the need became apparent in midsummer for an FEA mission to the Belgian Government in London to expedite work on Belgian post-liberation requirements programming and procurement. Such a mission was formed in mid-July 1944, headed by Governor M. S. Szymczak, loaned temporarily to FEA by the Board of Governors of the Federal Reserve System upon request of the President, and including Mr. Thomas Matters, of the Belgian and Belgian Congo Section, Bureau of Areas, FEA, and Ensign G. L. Bach, USNR, formerly of the research staff of the Federal Reserve Board, loaned temporarily to FEA by the Navy.

The general purposes of this preliminary mission were, (1) to cooperate with the Belgian Government-in-Exile toward providing promptly a post-liberation civilian requirements program for non-military procurement, and, (2) to increase the effectiveness of the working relationships between FEA and the Belgian Government in this general field of action. More specifically, the memorandum listing the topics for discussion by the mission in London included the following:

- A. The preparation of a program to cover the needs for the rehabilitation and reconstruction of Belgium in the post-military period.
- B. The method and the criteria to be used in drawing up such a program.

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An additional topic was the possibility of increasing the effectiveness and cooperativeness of the Belgian liaison group in Washington with FEA on matters relating to programming and postwar supply problems in general.

Following preliminary discussions in FEA, with officials of other interested agencies in Washington, <sup>1/</sup> and with officials of the Belgian Government, the Belgian National Bank, and the Belgian Chamber of Commerce in New York, the mission arrived in London on August 3rd, where it was attached to the U.S. Mission for Economic Affairs, under the general supervision of Philip Reed, Minister. During its month stay in England, the mission conducted extensive discussions with representatives of the Belgian Government at both the ministerial and staff levels; it met with officials of the Luxembourg Government, who indicated a desire to have the Belgians act as agent for Luxembourg in all preliminary discussions on supply matters; it met with representatives of the SLAO (British Supply for Liberated Areas agency) and <sup>1/</sup> State Department, Treasury Department, War Shipping Administration, Postwar Surpluses Administration, UNRRA, and others.

other British representatives; it conferred with UNRRA representatives in London; it conferred with SHAEF Supply representatives; and it maintained continuous liaison with all interested branches of the U.S. Government in London. The mission received the most complete and enthusiastic cooperation from officials of the Belgian, British, Luxembourg and U.S. Governments during its stay in London, and this cooperation contributed greatly to the accomplishment of the purposes established for the mission. All discussions were of an informal preliminary nature, and it was understood that no conversations were binding on any of the governments concerned.

A chronological report, including names and dates of conferences, is included in the appendices.

#### CONCLUSIONS AND RECOMMENDATIONS

The essence of these conclusions and recommendations, together with specific files relating thereto, were made known and turned over to Mr. Harold Pfleeger, Head of the FEA Belgian Desk immediately upon M. S. Szymczak's return to the United States on September 1st at a conference held in New York.

After this conference a meeting was held in Ambassador Theunis' office in New York at which were present Mr. Theunis and Mr. Jennen for the Belgians, and Mr. Pfleeger and Mr. Szymczak for FEA. At this meeting it was stressed first that for effective action on the programs submitted by the Belgians in London, the Belgian liaison in Washington, D.C. begin at once an effective relation with FEA. It was also stressed and agreed that a cable be sent by Mr. Theunis to the Belgian Government in London, requesting that Belgian experts be sent as soon

as possible to Washington to aid Mr. Jennen in his work as Belgian liaison to FEA on the Supply programs. Mr. Theunis is now in Belgium and will no doubt pursue the matter further.

(1) Importance of prompt action on programs obtained.

The virtually complete set of Belgian programs covering post-military relief and rehabilitation needs obtained by the mission should be acted on with the greatest possible dispatch. Immediate action is essential both because of the extremely rapid progress toward complete liberation of Belgium, and because the prestige of FEA in future dealings rests on prompt, effective handling of these programmed needs. The primary purposes given the mission were:

- (a) to obtain a complete requirements program and
- (b) to impress upon the Belgian Government the necessity for working closely with FEA in processing these programmed requirements in Washington.

The mission urged most strongly upon the Belgians the importance of both these steps, and assured the Belgian representatives that their extensive efforts in producing the desired programs would yield concrete results in the form of general supply availability information and assistance in processing through Washington channels the requirements programmed. FEA's position and desire to act as claimant for liberated nations before the Combined Boards was stressed.

From an original position of considerable doubt, the Belgian representatives were convinced of the importance of getting requirements programmed quickly and of dealing

directly and wholeheartedly with FEA. In return, they were assured that prompt action would be taken by the FEA on the mission's return to Washington in providing general supply availability data on the items included in their programs, and that those portions of the programs which were appropriate would immediately thereafter be submitted to the Combined Boards and put through such other Washington channels as might be required.

Belgium has, since the mission's return from London, been actually liberated, and the Belgian supply needs have attained the highest degree of urgency, especially since it is agreed that the Belgian military period will be of the shortest possible duration. Under these circumstances, failure of FEA to do everything within its power to press forward the promised action on the Belgian programs would not only delay the procurement of supplies for Belgium at a most critical moment, but would affect the prestige of FEA as an agency, which was so strongly cultivated by the mission in London.

Beyond action on general programs, the mission promised to do everything possible to provide information for the Belgians on particular problems, for example, the procurement of pitprops, the possibility of using jute substitutes with machinery designed only to process jute, etc. These particular problems are listed in the body of the report, and it is urged that the Belgian Section in FEA get to

the Belgian Government with the least possible delay the information promised on each of these matters. As of the writing of this report action on all these special requests was under way.

(2) Improvement of Belgian - FEA liaison in Washington.

We were advised before leaving Washington that in the past, working relationships between FEA and representatives of the Belgian Government in Washington on supply matters have been generally ineffective. Responsible officials of the Belgian Government in London were advised of this situation, and of F.E.A.'s desire to improve the effectiveness of the Belgian liaison in Washington. The importance of a continuous, informal working relationship covering the entire range of post-liberation civilian supplies was urged, with special emphasis on the need to keep Belgian requirements programs up to date in Washington in order that procurement can be expeditiously handled when actual purchases are desired. To implement this arrangement, it was suggested that the Belgian supply liaison in Washington be augmented to include persons technically trained and well advised on the supply needs being faced in Belgium.

While some progress was made in London toward a solution of this problem, Belgian representatives said no supply experts were now available to be sent immediately to Washington. They agreed, however, that it might be possible and desirable to send one or more such men as

soon as personnel could be obtained from Belgium following liberation. In the meantime, they agreed that every effort should be made to improve working relationships, utilizing existing personnel.

It is recommended, therefore, that efforts be made to increase the effectiveness of the F.E.A. - Belgian liaison in Washington, and particularly that the subject of supplementary expert personnel be raised again with the Belgian Government at the first convenient opportunity. Without such a change, much of the benefits potentially available from the material obtained by the mission to London may well be lost. At the meeting in New York on September 1st in Mr. Theunis' office, at which Mr. Jennen and Mr. Pfleeger were present, this was pointed out to Mr. Theunis and Mr. Jennen by M. S. Szymczak.

- (3) Prompt implementation of a mission to Belgium. The work of the present mission to London was largely of an exploratory nature, laying the groundwork for (a) prompt action in Washington on preliminary processing of Belgian requirements programs, and for (b) a future mission to go into Belgium to work with the Belgian Government and with Belgian industry and agriculture on the programming and procurement of firm purchase requirements after liberation. With Belgium now liberated, it is recommended that no time

be lost in organizing a mission to return to Europe, first to London and then to Belgium, to work with the Belgian Government and with Belgian industry and agriculture in meeting Belgian rehabilitation and reconstruction needs. Each of the ministers of the Belgian Cabinet concerned with economic reconstruction, urged strongly that a mission be returned with the minimum of delay. Top civil affairs supply officers at SHAEF and officials of the Mission for Economic Affairs in London, as well as State Department representatives near the Belgian Government-in-Exile, concurred in the pressing need for such a mission.

Joint Status. It is strongly recommended that the returning mission have joint State Department - F.E.A. representation and that the head of the mission have diplomatic status. Experience in London convinced the members of the mission beyond doubt that an economic mission to a foreign country such as Belgium would be most seriously handicapped without joint State Department - F.E.A. status. The outstanding success of the M.E.A. in London, under Minister Reed, is indicative of the prestige and efficiency with which a jointly sponsored mission can operate.

Personnel. Conversations with high officials of the Belgian Government, of SHAEF, and of M.E.A. led to the conclusion that any economic or supply mission to

Belgium should be relatively small. In addition to the mission's head and his deputy, possibly three or four other persons at the outset, with some additional persons after establishment of the mission in Brussels, should suffice. Personnel attached to the mission at the outset might thus include one or two general requirements men, two or three technical specialists in certain supply fields (general industrial machinery, agriculture, coal mining, etc.) and perhaps an administrative assistant. Additional personnel for the mission might be sent to London on the mission's departure for Europe, for indoctrination at M.E.A., or better, held in readiness to move into Europe a month or so later when the mission had been established in Brussels. More detailed suggestions, including the views of Belgian, M.E.A., and SHAEF officials are contained in the body of the report.<sup>1/</sup> In general, expert knowledge of supply conditions in the U. S. will probably prove more valuable than technical advice on the operation of Belgian industry and agriculture, where Belgium already possesses adequate competent personnel and desires little assistance.

Top civil affairs supply officers at SHAEF agreed informally with the present mission in London that a

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<sup>1/</sup> See pp.

small mission of the sort contemplated for Belgium would be welcomed at an early date following liberation, especially experts in coal mining, general industrial machinery, foodstuffs and food processing, and perhaps agricultural supplies and equipment, all with knowledge of the U.S. supply position and U.S. Government procedure. M.E.A. has recently begun to build up expert "panels" of men possessing technical and supply knowledge in particular fields, who would be based at M.E.A. but available to the military or to civilian officials in any of the Northwest and Central European countries, as needs may arise. Experts on coal mining, agriculture, and public utilities had already arrived at M.E.A. during the mission's visit, and others were expected in the near future. The availability of such experts at M.E.A. should be considered in choosing personnel for the mission to Belgium. M.E.A. officials expressed the desire to cooperate with the future mission to Belgium in every way possible.

#### SUMMARY OF INFORMATION ON PROJECT TOPICS

The information obtained with reference to the topics listed in the project letter may be briefly summarized as follows:

- A. The preparation of a program to cover the needs for the rehabilitation and reconstruction of Belgium in the post-military period, and
- B. The method and criteria to be used in drawing up such a program.

- (1) Programs obtained. The mission brought back to Washington a virtually complete series of Belgian requirements programs covering:
- (a) industrial materials (base metals, non-metallic minerals, chemicals, petroleum, wood, paper, and pulp, textiles, rubber, leather and clothing)
  - (b) machinery and machine tools (including transportation and general industry)
  - (c) electrical equipment
  - (d) food
  - (e) agricultural rehabilitation (including seeds, livestock, machinery, etc.)

Additional programs will be forwarded by the Belgians to F.E.A. in the near future, covering coal mining equipment and certain types of railroad and other transportation equipment. Copies of all programs obtained are included in the appendices to this report. In all cases Luxembourg requirements are included in the programs.

- (2) Period covered. Most of the programs cover the first six months following the military period, though in all cases Belgian officials expressed the hope that some types of supplies covered by these programs can be brought in during the military period, at least in limited quantities. The military have agreed that this may be possible in some cases, although no commitments have been made. Thus the six months' period covered by the programs is largely, but not necessarily, that beginning with the assumption of power by the civilian government in Belgium.

(3) Assumptions and criteria used. The programs obtained are all based on three general assumptions:

- (a) It is assumed that only very limited scorching occurs in Belgium - the military Plan A assumption is utilized. This assumption rests partly on information obtained from the underground in Belgium that damage had been moderate up to the time of invasion, and on the expectation that military developments seemed likely to be such that Germany would not make a major stand where large-scale devastation of Belgium would result. It was recognized, however, that in addition to outright destruction widespread undermaintenance of equipment (machines, railway roadbeds, housing, raw material stocks, etc.) will be found and that the Germans may take large amounts of movable supplies and equipment with them as they retreat. As indicated by the body of this report, large sections of Belgian industry were operating near capacity immediately preceding invasion, while other sections were closed down for various reasons - lack of raw material, equipment and manpower shortages, sabotage, bombing damage, etc. In general, the picture was assumed to be one of moderate damage, spotty conditions, and general shortage of equipment and raw materials, but the Belgians continually emphasized the tentative nature of the estimates until on-the-ground post-liberation information can be obtained.
- (b) The criterion was used throughout that these programs would cover only the minimum supplies needed to meet basic relief

needs and begin the rehabilitation of Belgian economic life. While it is impossible to draw a sharp line between relief and rehabilitation on the one hand, and reconstruction and recovery on the other, the Belgians emphasized that reconstruction and recovery needs are not included in these first six months' programs. In numerous cases, as indicated in Section (4) below, the programs rest directly on the UNRRA "bases" established as a guide to programming minimum relief requirements for UNRRA sponsorship. In some others, present programs exceed the UNRRA programs by substantial margins, particularly because there are numerous items, such as industrial machinery, which are only loosely covered, if at all, by the UNRRA bases.

Requirements for recovery and reconstruction can be effectively determined only after information is obtained directly from Belgian industry and agriculture following liberation as to longer-run needs and policies. Requirements will depend partially on relations with other nearby countries after they too have been freed and have had a chance to formulate longer-run plans. Although the Ministry of Supplies of the Belgian Government will endeavor to provide a rough outline of general reconstruction needs for later periods, it was felt that much of such procurement would necessarily be provided directly by individual buyers to their own needs and specifications, which cannot be estimated as yet by the government, even in rough terms. Shortly after civilian control

control is re-established in Belgium, however, it was hoped that a much better indication could be provided of longer term needs.

- (c) It was assumed that a major aim in all programming is to get the Belgian people back at productive work rather than undertaking continuing relief arrangements. Therefore, plans contemplate reestablishing industrial activity to provide both needed goods and employment with a minimum of delay. Raw materials and equipment requirements are thus in some respects more important than finished goods. Moreover, in the programs dealing with business and industry it was assumed that where supplies of certain goods, such as coal, were short in neighboring countries, Allied policy would permit limited imports of raw materials and equipment for export production in addition to domestic needs where effective use could quickly be made of such imports in turning out scarce goods for neighboring areas.
- (4) Relation to SHLEF and UNRRA programs. Working in cooperation with representatives of the Belgian Government, SHLEF has prepared a modification of the basic Plan A program for supplies to be taken into Belgium during the military period. This modification allows somewhat more equipment to rehabilitate vital industrial and transport facilities than did Plan A and some other types of supplies are increased to some extent. On the whole, however, it does not seem likely that the military will go much beyond the original fairly narrow intention to supply merely military needs plus

relief supplies essential to minimum living standards and rehabilitation essential to military operations. The Belgian civilian period programs proceed on this assumption, though Belgian officials hope that supplies beyond the military program may be brought into Belgium during the military period in cases where such supplies will clearly contribute to stable conditions in the country and to the production of needed supplies which would otherwise require transport. Coal mining equipment, railway sleepers, transportation equipment, and critical transport and general industry machine tools were mentioned as examples. The supply branch of G-5 at SHAEF has expressed willingness to take in such supplies in limited amounts if the goods are available, if transport is available, and if the supplies are vital to general welfare and helpful to reestablishment of stable conditions and essential production. However, no commitments can be made, and in fact it is uncertain as to exactly what supplies the military itself will take into Belgium, since this will depend to a considerable extent on conditions found there and spot needs which develop. Governments of areas about to be liberated are not informed of the supply programs for their areas between completion of the first draft with the government concerned and the time of the final approval by CCAC. A copy of the SHAEF supply program for Belgium (not finally approved) was given the mission in confidence. The Belgian program had not reached the final approval stage when the mission left London. Since Belgium is now liberated the supplies reaching Belgium through the military should be taken into account.

When the mission arrived in London the Belgian Government was

working on a series of relief programs requested by UNRRA for completion by August 15, estimating relief needs for the first six months' civilian period in food, clothing and textiles, medical supplies, agricultural rehabilitation, and industrial rehabilitation. These estimates were to be calculated on the general "bases" established earlier by the UNRRA working groups to assure equitable levels for the various countries concerned. In some cases, the Belgian programs prepared to meet this UNRRA request were considered suitable for submission to the F.E.A. mission. This was true of food, agricultural rehabilitation, and electrical equipment and machinery. In other cases, there were differences of various sorts in the programs submitted to UNRRA and to the mission. The nature of these differences, and the reasons therefor, are indicated in the working notes covering each individual group of commodities included in the appendices to this report.

- (5) General level of estimated requirements. In general, the requirements specified by the Belgian Government in the various programs received appeared moderate in relation to supply possibilities and programs of other nations. This was particularly true in the cases of electrical machinery and power equipment, and many types of machine tools. On certain types of raw materials and industrial supplies, such as pitprops, railway sleepers, certain chemicals, and cotton goods, however, the requirements appeared much higher than there is any likelihood of the Allies being able to deliver, either because of supply shortages or shipping stringencies. Detailed information as to the reasonableness of require-

quirements estimates will be available when the programs have been processed through the F.E.A., Bureau of Supplies, to which they have been submitted for general supply information. Little attempt was made during conversations with the Belgian technical experts in London to do more than get the programs, together with an over-all picture of the criteria used in building the estimates and as much background "justification" material as was feasible for each portion of the programs. Technical experts from M.E.A. participated in most discussions, and in some cases (notably machine tools, coal mining equipment, and electrical and power machinery and equipment) these experts provided general American supply information to the Belgians. In numerous cases, it was found, the British Government acting through its Supplies for Liberated Areas Committee (SLAO) has worked with the Belgians in preparing requirements programs, particularly with reference to supply conditions in Great Britain, so the Belgians are informed as to the availability of their needs in Britain.

- (6) Discussions on programming procedures. The mission found in its early conversations with representatives of the Belgian Government that the Belgians were confused as to what procedures they were expected to follow in obtaining post-military period supplies from the U.S. The mission, therefore, working with representatives of M.E.A., attempted to clarify this procedure to the Belgian Government, emphasizing the necessity of prompt programming of at least critical items and submission of the programs to F.E.A. for processing through Washington channels, if supplies are to be

obtained from the United States without substantial delays. The channels through which requirements must go in Washington were discussed in full, including the work of the Combined Boards, the CCAC, UNRRR, and other agencies, as well as F.E.A.

C. The Possibility of using Standardized Industrial Equipment in their Reconstruction Program.

On the question of using standardized industrial equipment, Belgian Government representatives were hesitant to commit Belgian industry to any given types of equipment until after liberation, when representatives of the particular industries concerned could indicate their own needs and preferences in the light of existing circumstances. However, in cases where long production periods are involved, as with railway locomotives, the Belgian Government expressed its willingness to order now limited supplies of standard models, and a substantial order of this sort is now being completed for locomotives. The general position taken by representatives of the Belgian Government was the desire to cooperate, and where necessary to obtain delivery, willingness to undertake orders now for standard equipment. They much prefer, however, to wait until after consultation with industrial leaders in Belgium following liberation before placing orders for most types of industrial equipment.

D. Arrangements and Agreements with Neutral Governments, primarily in Relation to Procuring Supplies from such Sources,

The Belgian Government has undertaken to purchase supplies from two neutral governments, Argentine and Sweden, to date. It had no further negotiations under way at the time the mission left London.

Belgium wishes to buy meat from the Argentine, and has twice pre-

sented requests to the Combined Board for permission to buy 40,000 tons, an amount within its quota under the UNRRA bases calculations. However, the Combined Board has refused to approve the purchase on the ground that the supply picture is not yet clear and no approval can fairly be given for such a large purchase until world needs in relation to supplies are more clearly visible. Currently, therefore, the Belgians are preparing to ask either for a smaller allotment from Argentina or for permission to negotiate a sort of "blank contract", establishing the right to buy from the Argentine whatever supply can later be made available.

Belgium has applied to the Combined Boards for permission to buy lumber, wood pulp, paper and ball-bearings from Sweden. Permission to buy was granted by the Combined Board on the condition that the negotiations and purchases be made through Great Britain, which would buy with assignment of a specified tonnage to Belgium. Negotiations with Sweden were in progress when they were broken off in connection with Allied pressure to halt provision of ball-bearings by Sweden to Germany. These negotiations have recently been resumed, with Belgium expecting to be brought into the discussions around the beginning of September.

E. Post-War Shipping and its Relation to the Reconstruction and Rehabilitation Program.

The Belgian merchant fleet now totals about 23 vessels of between 5,000 and 10,000 dead weight tons. Belgian shipping authorities estimate that a total of some 80 comparable deep sea ships will be required to furnish Belgium with the minimum supplies listed in the programs submitted for the first civilian six month period. Thus Belgium is now primarily a claimant of shipping from the common pool rather than a ship-operating

nation. As such she has been an enthusiastic participant in the joint shipping arrangements now in force and in the recently signed joint shipping agreement which continues the common pool of Allied shipping until six months after conclusion of the Pacific War, with ship allocation in the hands of the Combined Shipping Board. Under this arrangement, as in the past, Belgium will be consulted where her interests are concerned, but will be subject to control by the Combined Board, even in bringing in supplies of her own from the Congo, as well as from other countries. Where possible without inefficiency, Belgian bottoms will be used in carrying Belgian cargo and serving Belgian territory, but this aim will continue to be subordinated to over-all effective use of the pooled shipping.

It seems likely that following the collapse of Germany, there will be available about enough shipping for liberated countries to carry in roughly the tonnage indicated by the Leith-Ross relief and rehabilitation estimates. <sup>1/</sup> In terms of the newer programs submitted by the Belgian Government to the mission, this would appear to mean that shipping may not be a seriously limiting factor on the requirements estimated for most of the less bulky supplies, but that a substantial downward revision of the estimates for such large tonnage commodities as iron ores, pitprops, railway sleepers, etc., may be necessary unless very large cuts are made in other requirements to bring the total tonnage better into line with shipping available. A major question on the total tonnage allowed the liberated countries will be the condition of the port facilities recaptured. Shortage of such facilities may prove a more drastic limitation than the shipping itself, because of the time consumed in loading and unloading when adequate port facilities are lacking.

<sup>1/</sup> See body of report, p. , for relation of this to other requirements programs.

F. The Use of Production in the Belgian Congo to meet the Demand for Raw Material for Belgian Industry

Belgium hopes to obtain substantial supplies from the Belgian Congo during the first six months period of civilian control. The following list gives tentative estimates provided by the Belgian Government in London:

	<u>In metric tons</u>
Palm oil	19,000
Palm kernel	28,000
Palm kernel oil	2,000
Ground nuts	5,000
Maize	6,000
Rice	1,000
Sugar	6,000
Coffee	10,000
Cocoa	300
Soap	3,000
Hides	1,000
Cotton	20,000
Wax	50
Oil cake (of cotton)	2,600
Oil cake (of palm kernel)	5,000
Copal	1,000
Wild rubber	3,000
Rubber	<u>1,000</u>
Total	114,150

Some of these supplies are already stockpiled; others would be procured for shipment as needed and as shipping became available. Although most desirous of getting these supplies into Belgium as soon as possible, the Belgian representatives recognized that shipping may be a limiting factor and that approval will have to be obtained from the Combined Shipping Board under the present as well as under the new agreement recently signed. The necessity for obtaining approval from the other Combined Boards before lifting the supplies listed from the Congo was not clearly understood by some representatives of the Belgian Government, but the mission pointed out that under procedures as they appeared to be at the time of discussions, alloca-

tions of these Congo supplies would have to be approved by the Combined Boards before they could be taken into Belgium.

G. The Financing of Belgian Rehabilitation and Reconstruction Supplies.

The mission discussed with representatives of the Belgian Ministry of Finance plans for financing the relief and reconstruction of Belgium following liberation. Belgium has substantial resources in the United States, in gold, in dollar balances, and in longer term investments. The bulk of these resources are privately held, including the gold, which is technically the property of the Belgian National Bank rather than of the Government. In common with funds of other occupied countries, the Belgian funds in the U.S. are frozen under Treasury order, but plans are virtually completed with the U.S. Treasury for the release of these funds at the appropriate time. The Belgian Government does not expect to requisition the holdings from private owners unless this course of action becomes absolutely necessary to replenish the government's supply of foreign exchange. Correspondingly, it is expected by the government that private buyers will, as far as possible, arrange to purchase and finance their own needs once Belgium passes through the first relief period. In the meantime, the Belgian Government is prepared to purchase itself a very substantial volume of supplies for which the need appears clear. The government, in addition, will stand ready after liberation to aid private industry in financing needed supplies in cases where private resources are inadequate to the task, or where certain industries lack foreign exchange balances.

Apparently the Belgians do not expect to request UNRRA assistance in financing relief needs, though government representatives indicated that this policy might be altered if devastation were widespread in Belgium.

However, Belgium does expect to ask UNRRA to act as purchasing agent, using Belgian funds, for a considerable portion of the relief supplies included in the UNRRA-supported relief program for the country, which corresponds to UNRRA-financed relief for non-paying countries.

As yet, the Belgians have made no arrangements for credits in the United States. Informal conversations with the U.S. Treasury some months ago as to the possibility of arranging public credits were not fruitful, and no arrangements have as yet been attempted with private lenders. The Dutch, however, have discussed both public and private credits (with certain New York banks) in the United States and the Belgians are watching the outcome of these conversations as a precedent for arrangements which might be concluded for Belgium. It is apparently felt that the immediate need for funds is not urgent, but that longer run post-war financing will soon have to be considered. One bank in New York recently offered to make a loan to the Belgian Government, but with gold as the collateral. This was done on the bank's own initiative.

H. The Extent to which Belgium may be able to Participate in Furnishing Supplies to Contiguous Stricken Areas.

No clear-cut answer could be obtained on the extent to which Belgium might be able to furnish supplies to contiguous stricken areas, because the Belgian Government did not know (1) what would be the condition of Belgian industry following liberation, and (2) what amounts of equipment and raw materials the Allies would bring into Belgium or permit to be brought in promptly. Belgium is extremely anxious to re-establish production for export in a variety of industries producing goods needed badly in neighboring areas. Perhaps most important is coal, which threatens to be in very

short supply throughout Europe, but iron and steel, chemicals, transport equipment, textiles, and a variety of other critical products might be exported soon after liberation if raw materials are included in the Belgian imports program and if Belgian industry is either found essentially intact or quickly repaired. The products which are apt to be in tight supply in Europe and which Belgium might efficiently export are covered in the various programs and the appended working notes on each program.

I. The Possibility of Establishing a more Effective Belgian Liaison in Washington with F.E.A. on Supply Matters

The mission urged upon the Belgian representatives the importance of maintaining effective continuing liaison in Washington between the Belgian Government and the F.E.A. on post-war supply problems. It emphasized that F.E.A. is prepared to act as a general servicing agency on Belgian requirements and is the appropriate agency to take Belgian programs and process them through Washington channels as claimant for Belgium. As Belgium itself is opened up, providing detailed information on the condition of Belgian industry and agriculture, and as firms within Belgium make known their individual needs, it will be particularly important to keep up to date the programs submitted to the present mission, in London. The mission urged that the Belgian liaison group in Washington be increased to include technical experts on major supply categories, if possible, and that up-to-date information be kept constantly available in Washington to expedite procurement of Belgian needs.

The representatives of the Belgian Government agreed with the need for such liaison and stated that the present liaison officers would be immediately instructed to take all possible steps toward the establishment of

closer relationships with F.E.A. They stated further that the current shortage of trained personnel outside Belgium made temporarily impossible the increase of the present Washington liaison group, but that they hoped representatives who have actually been in Belgium through the occupation and who know the situation thoroughly can be sent to Washington soon after liberation.

PART II. BODY OF COMPLETE REPORT (with supporting data) follows shortly.