TOP SECRET.

CABINET.

THE RUHR AND WESTERN GERMANY.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

I HAVE already circulated to my colleagues two papers dealing respectively with the Future of Germany and the Ruhr and with the Saar Territory (CP. (46) 156). I have been giving anxious thought to these problems and now ask my colleagues for authority to proceed on the following lines:

2. I ask for authority to explore the situation with the interested foreign Governments on the following general lines, though I would not propose to make any final commitment until the Dominions have been consulted at the forthcoming Imperial Conference:

(a) The Ruhr.—(i) To explore the situation on the basis of international control over the Ruhr industries without political separation of the territory from Germany on the general lines suggested in paragraph 5 of this paper. Meanwhile officials would be instructed to prepare a detailed plan as a matter of urgency.

(ii) As an essential prelude to any long-term arrangement, to proceed within the British zone with the interim measures outlined in paragraph 6.

(b) The Rhineland.—To support the French Government's proposal that French, Belgian and Dutch forces should be stationed in German territory west of the Rhine for an indefinite period, but to resist their proposal for the detachment of the territory from Germany.

(c) The Saar.—To agree that the ownership of the Saar mines should be transferred to France, the territory included in the French customs and currency system, French military forces stationed permanently in the territory, and the territory itself transferred forthwith to French administration pending a final settlement. The assets so transferred should be debited to France on reparation account.

(d) The American Draft Treaty.—To inform the United States Government that His Majesty's Government welcome their proposal for a treaty as a most useful basis for discussion.

3. My own original proposal was that the Ruhr should remain part of Germany, but that its industries should be internationally controlled along the lines of a plan prepared by the Economic and Industrial Planning Staff and shown in Annex A to Gen. 121/1 (CP. (46) 156). The following points were raised on that proposal:

(a) Would my suggestion that the Ruhr should concentrate on semi-finished products and that the finishing industries should be located elsewhere in Europe be acceptable to other countries and indeed to our own?

(b) Would it be possible to confine to the Ruhr the proposed control over German heavy industries? Might not a central German Government, if left free to do so, build up outside the Ruhr heavy industries which were not subject to international control?

C.P. (46) 139.
15th April, 1946.
4. These points have now been considered with the following results:

(a) There is general agreement that from the security angle there would be every advantage in encouraging the basic industries of the Ruhr up to the semi-finishing stage, leaving the finishing industries to be set up in other parts of Germany and elsewhere in Europe. There is also general agreement that this should be our aim as soon as the redevelopment of those basic industries is allowed. But for the time being we are bound by the level of industry plan approved by the Control Council which restricts production to a level that will bring serious unemployment to the area. This unemployment would be increased still further if we were now to exclude from the area all the existing fabricating industries.

(b) All heavy industries depend on coal or power, and the Ruhr is the only important source of these in Germany apart from the brown coal fields in Saxony which cannot provide coking coal for steel production. By controlling the Ruhr coal output we shall control the development of the steel industry not only in the Ruhr area but all over Germany. Moreover, it has never been suggested that if a special system of control is applied in the Ruhr, the development of industry in the rest of Germany should be left entirely uncontrolled. The peace treaty will, it is hoped, provide for a thorough system of industrial inspection.

(c) It was agreed at Potsdam that Germany's standard of living should, during the initial period of control, not exceed that of the European average excluding the United Kingdom and Russia. The reparation plan agreed at Berlin will ensure that this principle is strictly observed. It is not possible to predict at this stage how the standard of life in the various parts of Germany will develop after the reparation plan has been completed. All that can be said is that it will be essential to the success of international control of the Ruhr that the standard of life in the area should be at least as high as that prevailing in the rest of Germany.

(d) All political parties in Germany are deeply hostile to any idea of the political separation of the Ruhr from Germany. Their attitude to international control of the industries is less clear. The best estimate of opinion is that, while the Communists would follow Russian guidance whether it might be the democratic parties might be brought to accept a plan of the kind worked out by E.I.P.S. if it were accompanied by some immediate advantages and could be represented as a step towards Germany's re-establishment in the Western International framework. Their acceptance might be facilitated if the plan were modified in the sense set out in the next paragraph.

5. Further consideration has been given to the E.I.P.S. paper during the past few weeks, and I am led to think that the basic conception of international control within the German State might be better implemented on the following lines. A new German province would be formed in the area affected by the scheme. Instead of the industries being owned internationally they would be made into a socialised German corporation whose relation to the Provincial Government would be the same as that of the National Coal Board in this country to His Majesty's Government. Germany's obligations in regard to the transferred industries would be laid down in such detail as was necessary, in the peace treaties, and an international control organisation would be formed to supervise the performance of these obligations. Thus political control, with of course the possibility of political and military sanctions, would be substituted for industrial control through ownership. My impression is that a scheme of this nature, with its emphasis on political rather than industrial control, would be more acceptable to the French, while German opinion would certainly prefer to see German industries in German socialised ownership rather than owned by an international
corporation. The actual direction of the products of the area into the channels we desire would have to be brought about by the various interested Governments applying appropriate commercial policies.

6. If this scheme is generally agreed, I should propose to proceed by the following stages. The first step would be to create a new German province covering the area to which the scheme is to apply. I am advised that this could be done without difficulty by unilateral action on the part of the British Commander-in-Chief. The next step would be to set up a provincial administration of that province, which would have the necessary powers over the proposed German corporation to which the industries in the area would be transferred. This will take some time to achieve, and in the meantime I would propose to follow in regard to the other industries in this area the same policy that has already been carried out in regard to the Ruhr mines, namely, to vest them as a temporary measure in the Commander-in-Chief, announcing at the same time that while their ultimate disposal remains to be decided they will not be returned to their previous owners. Although it is part of the plan that these assets should subsequently be transferred to the proposed German corporation, there is some doubt whether this transfer could be effected by the Commander-in-Chief under the powers which he exercises as a zone commander or whether it would not need the quadripartite approval of the Control Council. This, however, is being further examined and will not affect my immediate proposal. It follows that during the early stages the direct control over these industries would be exercised solely by the British zone commander, though he would of course be subject to quadripartite control at Berlin in so far as the legislation to deal with these industries is a matter affecting Germany as a whole. Nevertheless, to prepare the way for my ultimate objective of international control I would from the outset associate the Western Powers most closely affected and the United States by inviting them to appoint in the first place advisers to the British officials nominated as custodians of these industrial assets, and later, when the German corporation has been formed, to the British body which will control it. But when the quadripartite control of Germany comes to an end this British body would change into an international organisation on the lines set out in paragraph 5 and at that stage the advisers appointed by our Allies would become fully associated with the control.

7. A highly important point for decision is whether the Russians should be admitted into the scheme suggested. My own view is that we should not offer to the Russians in Western Germany any greater facilities than they might be prepared to give us in Eastern Germany, e.g., participation in the international control of the industrial area of Saxony. One may assume that they would not wish to set up such an international control in their own zone. If, therefore, at any time during the evolution of this plan the Russians were to claim the right to appoint an adviser or an ultimate share in the international controlling body, I should only be prepared to accept this provided that they were to give us similar participation in the international control of a similar organisation in their zone.

8. In considering this whole problem we must, however, bear in mind that we have given our agreement in Berlin to a plan for the future level of German industry the effect of which will be to reduce the level of German industry as a whole to about 50 or 55 per cent. of the 1938 level. The heavy industries are to be more drastically reduced than others, the productive capacity remaining to them being of the order of a third of pre-war. This will in particular affect the Ruhr where the heavy industries chiefly lie. The plan was accepted by the British representative on the clear understanding that it would be open to review if any of the basic assumptions of the plan were modified. One of these assumptions related to the German western frontier and it would clearly be modified if the French plan of separating the Ruhr from Germany were accepted. But it would be impossible to call for review on this ground if a system were introduced on the lines favoured by the Committee on German Industry, under which the German western frontier would not be changed. Unless we are prepared to discuss in a separate paper on our general policy towards Germany—and this is a matter which I propose to include in our general policy towards Germany— it seems to me that we must proceed on the assumption that the level of industry plan will be carried out. This, I fear, will inevitably postpone for some years any hope of fulfilling one of my principal ideas, which is that the Ruhr should be turned into a positive element of European reconstruction. I have not, however, abandoned this conception and hope that the proposal for controlling the Ruhr which I have outlined will enable me to persuade the Russians that a prosperous
and expanding industry in the Ruhr may hold out great advantages for them as well as for the rest of Europe. The full association of the Germans in the development of their own industry under international control, as this modified plan contemplates, seems to me better calculated to achieve this objective than does the idea of international ownership which deprives the Germans of an interest in the welfare and well-being of their own industries.

9. I took the opportunity of the period required for consideration of the points mentioned in paragraph 3 above, to invite the views of the Chiefs of Staff on the strategic aspect of this problem. Their report, of which a copy is attached, may be briefly summarised as follows:

Our main strategic aims in Western Europe are that no potentially hostile Power should be in a position to dominate Western Europe and, secondly, that on the outbreak of any future conflict our strategic frontier should be as far east as possible. Our policy towards Germany should be guided by the consideration that Russia is our most likely potential enemy and is a more serious danger than a revived Germany. Three proposals for the organisation of the Ruhr are considered and none is thought wholly satisfactory for meeting these aims. The first, namely, that the Ruhr should simply remain for the time being as part of our zone of occupation with the control of its industry in our hands, has many advantages since it gives us for the immediate future the maximum freedom of action and leaves the area and its industry under our control so long as the occupation of Germany is maintained. But the necessary corollary of this proposal is that the Ruhr should be returned to German control when occupation ceases. This will be dangerous if Germany is drawn into the Russian orbit. The Chiefs of Staff regard the French proposals as unacceptable. They regard the E.I.P.S. plan as a possible compromise but draw attention to several serious disadvantages in it. The Chiefs of Staff see no objection to the occupational commitment involved in the E.I.P.S. plan which would amount to 10,000 British troops and which they consider would probably be less than that involved in the French plan.

10. There remain the questions of the Rhineland, the Saar and the draft treaty proposed by the United States Government, the text of which is contained in Annex C of Gen. 121/1 (C.P. (46) 156).

11. As regards the Rhineland, economic and military arguments have been advanced against the French proposal that German territory west of the Rhine should be set up as a separate State or States detached from Germany. French ideas on this point have been far less definite than their ideas about the Ruhr, and there should not be so much difficulty in reaching agreement with them on this aspect of their plan provided we can accept their main proposal that their forces, and those of the Belgians and Dutch, should be stationed permanently in the area. I would propose that this should be our policy. It is not thought necessary that any British troops should be stationed in this area.

12. As regards the Saar, I suggest that His Majesty's Government should support the French proposals and that the assets of the territory transferred to French administration should be debited to the French Government on reparation account. I submit these recommendations to my colleagues' approval.

13. The Chiefs of Staff have reported favourably on the American draft treaty and, though certain clarifications are required, I am convinced that this American initiative is of great importance and potential advantage to ourselves. I would accordingly propose to inform the United States Government that we welcome their proposal and consider it provides a most useful basis for further discussion, subject to the clarification of certain points.

E. B.

Foreign Office, S.W. 1,
15th April, 1946.
WE have examined the Foreign Secretary's paper* and the questions you put forward in your letter. It is not possible to deal with these without considering wider questions of our strategic interests in Western Europe.

2. It must be assumed that the Silesian industrial area is permanently lost to Germany. From the point of view of future war potential, the Ruhr is by far the most important area of Germany. Deprived of both the Ruhr and Silesia, Germany could hardly count as an independent factor in Europe.

From the military point of view, therefore, the future of the Ruhr and the Rhineland will largely determine the future of Germany. Thus it becomes necessary to consider what our long-term policy with regard to Germany as a whole should be.

Long-Term Policy regarding Germany.

3. Our main strategic aims in Western Europe are that:

(a) No potentially hostile Power should be in a position to dominate Western Europe.

(b) On the outbreak of any future conflict, our strategic frontier should be as far east as possible.

The deduction from the above is that we must do our utmost to ensure that France and the Low Countries remain friendly to us. Our position would be greatly strengthened by the creation of a western democratic Germany. Failing this, it is essential that the authority in control in Germany should not be hostile to us.

This authority must be that, either of a revived and independent Germany, or of whatever Power might be in a position to exert a controlling influence in Germany. At present it seems that, once the existing system of Allied occupation is terminated, the only foreign Power which could establish a controlling influence in Germany would be Russia. Our policy towards Germany should therefore be shaped by whether, in the long run, we regard a revived and independent Germany, or Russia as likely to be the greater danger to our security.

It is clear that the worst situation of all, and one which we must try to avoid at all costs, is that of a revived Germany dominated by Russia, since we might then be facing the combined war potential of both Powers.

4. If we consider that the principal danger to our security is eventually likely to come from a revived and independent Germany, then our policy towards her should be guided principally by the necessity of keeping her war potential as low as possible. At the same time, however, we must not drive Germany into the arms of Russia.

Alternatively, if Russia is considered the more serious danger, our policy towards Germany should be such as would not prevent us from building her up again if this becomes necessary. In addition, so that we could count on effective German assistance in the event of conflict with Russia, we should try to avoid arousing permanent German antagonism towards us.

5. The above are questions of the highest policy and are to a great extent political. We consider that it is still too early to decide these issues finally, but, if we have to shape our policy now we can, from the military point of view, choose only the second alternative since Russia appears, at present, our most likely potential enemy.

In the event of conflict with Russia we cannot, in view of the man-power and war potential at her disposal, afford to exclude any method of redressing the
balance. Moreover, Germany is so placed strategically that, if she was prepared
to resist, she might be able to gain the necessary time for us to develop our own
effort, and for the resources of the United States to be brought into play.

6. It would clearly be politically unacceptable, nor is it militarily necessary,
to adopt a policy of rebuilding Germany in the immediate future. We consider,
however, that our policy should be shaped to give us maximum freedom to do
this later in case it should prove to be necessary. Such a course will be subject
always to the following provisos:

(a) We must be able to carry the United States with us in any proposals
we make.
(b) We must not so offend France and the Low Countries that we alienate
them permanently.
(c) Any arrangement which allows the stationing of Russian forces in
Western Germany or extends Russian influence is undesirable.
(d) We wish to reduce our occupational commitment as far as possible and to
avoid a permanent commitment on the continent.
(e) Any settlement which does not conform to the spirit of the Atlantic
Charter is unlikely to stand the test of time.

7. In the light of the above overall considerations, we examine the points
raised by the Foreign Office.

Proposed Methods of Control of the Ruhr.

Method 1.—Eventual Return of the Ruhr to Germany.

8. This gives us for the immediate future the maximum freedom of action
in that it would avoid the necessity of deciding now upon any special long-term
regime for the Ruhr, and would leave it under our control as long as the
occupation of Germany is maintained. Moreover, the prospect of the eventual
return of the Ruhr might divert German attention to the question of the recovery
of her next most important lost province, Silesia, and therefore incline Germany
to a policy of collaboration with the West rather than the East. The fact that we
would remain in occupation of the area until it was considered safe to abandon
the occupation of the whole country would give us, at any rate for some time, a
considerable degree of security against a revived and hostile Germany.

9. On the other hand, this plan contains, as a long-term policy, an element
of risk in that, should it not achieve its object and should Western Germany in
spite of it be drawn into the Russian orbit, Russia would gain the war potential
of the whole of Germany, including her most important industrial area. Whether
or not this plan would bring us solid advantages must therefore depend upon
its being accompanied by a positive policy towards Germany which will hold
out real hope for the future to her, and so combat despair and its accompanying
opportunities for Communist propaganda. This policy should ensure keeping
at least Western Germany outside the “iron curtain.”

We would relate this policy to the Foreign Secretary’s remarks on the forma-
tion of a Western “zone,”* and to our views on areas of strategic importance.†
It must not be overlooked that this plan may be expected to be vigorously
opposed by France. The risk of alienating her that it involves would have to be
faced, and a means found to persuade her that it will be in her long-term interests
to accept it.

10. As regard occupational commitments, this plan reduces our long-term
occupational tasks to a minimum, since, once the occupation of Germany as a
whole hand been abandoned, there would be no need for forces of occupation
east of the Rhine. The reluctance to evacuate the Ruhr might prolong the occupa-
tional commitments as a whole. On the other hand, it seems to us that the
decision whether or not to abandon the occupation of Germany as a whole is likely
to be influenced primarily by other factors.

Method 2.—E.I.P.S. Plan.

11. This plan has the following advantages:

(a) It ensures that sanctions can be applied quickly if the need arises.
(b) Our share in the control over the industries of the Ruhr will offer us
a certain degree of security whoever may be in control of Germany.
(c) French insistence on the separation of the Ruhr appears to be weakening,
and they might therefore be brought to accept this plan.
(d) It should ensure that United States troops remain in Europe for a
prolonged period.

* D.O. (48) 40.
† D.O. (46) 47.
If the Russians are included in the plan, they are robbed of their propaganda line with the Germans that it is the Western Powers who are screwing down Germany.

12. The plan has, however, considerable disadvantages:
(a) We abandon the position which we hold at present of being the sole authority in the area.
(b) It is doubtful whether the Germans would regard the return of the territory only, without control of the industries which give it its main value, as a concession of any great consequence. It would not therefore divert German hostility away from the Western Democracies, and if the Russians are not included in the plan, might drive Germany into the arms of Russia by giving Russia a weapon with which to incite the German population against us.
(c) On the other hand, if the Russians do participate in control, it might be difficult to exclude Russian troops from the Ruhr while allowing forces of the Western Powers to be stationed there.

In the event of our being forced to admit Russian troops, it is unlikely that we shall be able to prevent them establishing a Russian zone, and with it a secure base for the conduct of Communist activities.
(d) International control would be held responsible by the German population for any distress caused by slumps, unemployment, &c., and a difficult internal security problem would therefore exist. This unrest might be exploited to their own ends by the Russian representatives on the controlling body in the Ruhr.
(e) There will be an inevitable danger of conflicting economic interests between the controlling Powers, and the consequential danger that in the course of time one or more Powers might withdraw, causing a breakdown in control.
(f) The plan produces an indefinite, though small, occupational commitment.

13. With regard to the questions raised by the Foreign Office regarding occupational commitments, it is not possible to give a firm estimate of the number of troops required, but the figure of 50,000 quoted for the French Plan seems reasonable. Since the other participating Powers would presumably provide contingents, we should probably have to provide not more than 10,000, and this is a commitment which could be accepted.

The fact that the territory would not be politically separated from Germany should render the task of occupation easier rather than the reverse since such a regime would presumably be more acceptable to the population than one involving complete separation. It should be noted that militarily it would be highly desirable that the area should be extended as has already been proposed, so as to include an area west of the Rhine up to the Dutch frontier. If this is not done the Ruhr area would become an island surrounded by potentially hostile territory.

Method 3.—French Plan.

14. Acceptance of this plan should improve our relations with France. Otherwise it produces no advantages which we cannot obtain under the E.I.P.S. plan, and only accentuates the disadvantages of that plan.

The Ruhr will be detached permanently from Germany. The scheme will therefore encounter the bitter hostility of the Germans, and in the passage of time will fail to retain the continued support of popular opinion in the democracies. It seems to us that German hostility to this plan, combined with the effect it would have upon German economy, would almost certainly drive Germany into the arms of Russia. Furthermore, the plan would entail an indefinite occupation commitment which, in view of local hostility, would probably be larger than that required under the E.I.P.S. plan, without any corresponding advantage from the security point of view. In addition, Russian influence would be allowed to extend into Western Germany.

Summary.

15. None of the three methods proposed is wholly satisfactory, nor can we at present see any solution to the problem of the ultimate disposal of the Ruhr territory which fully meets our military requirements. The French plan we regard as unacceptable.

* Gen. 121/1, paragraph 42.
From the military point of view, we wish to prevent Western Germany from falling under Russian domination. This requirement would be most nearly met by Method 1, i.e., retention of the Ruhr within our area of occupation and its ultimate return to Germany. The feasibility of this must, however, depend upon a political estimate of the possibility of keeping at least Western Germany within the Western democratic zone, and the plan will clearly raise considerable political difficulties.

If Method 1 cannot be adopted, the E.I.P.S. Plan offers a possible compromise. It has, however, the very great disadvantage that it extends Russian influence into Western Germany, and leaves the seed of discontent among the local population, and the danger of future disagreement between the Allies.

The Saar.

16. The French have a good claim to ownership of the Saar mines and for the inclusion of the area in their Customs Union. We consider that their demand will be difficult to refuse, and as there are few military implications to this we should certainly offer no objection on military grounds.

Remaining Territory West of the Rhine.

17. From the military point of view, we can see little object in setting this area up as a separate State, since at best it can only be a small weak unit which would be a continual source of dispute between France and Germany.

18. In order to increase our essential security against attack from the east, whether by Germany or Russia, we should support the indefinite maintenance of French, Belgian and Dutch garrisons throughout the area west of the Rhine. This will apply whatever solution is reached with regard to the Ruhr.

19. We see no necessity to provide a British contingent in this area. If, however, the provision of such a contingent would mean that the Americans would do the same, thereby giving them an indefinite commitment in Europe, we think we should also be prepared to provide a small force.

Conclusions.

20. We conclude that:

(a) Our long-term policy with regard to Germany must take full account of the fact that Russia is a much more dangerous potential enemy than Germany; it cannot be shaped solely from the point of view of preventing a revival of a threat from Germany.

(b) We therefore wish, from a military point of view, to bring about a situation in which Western Germany will not be dominated by Russia.

(c) In the light of the above, the implications of the three solutions proposed for the Ruhr are as follows:

(i) Provided we can obtain American co-operation and can convince the French that it is in their long-term interest to agree, and provided that it is coupled with a positive policy towards Germany that will ensure at least Western Germany remaining within the western democratic zone, Method 1 most nearly meets our military requirements.

(ii) Method 2 (E.I.P.S. Plan) presents a compromise but only at the price of Russian participation, to which we are most strongly opposed.

(iii) Method 3 (French Plan) is unacceptable.

(d) There are no military objections to acceptance of the French proposals with regard to the Saar.

(e) We should only support the French proposals that French, Belgian and Dutch garrisons should be maintained indefinitely in German territory west of the Rhine if the Ruhr and the adjacent Rhineland are also to be occupied by Allied Forces.

(Signed) ALAN BROOKE.

TEDDER.

RHODERICK R. McGRIGOR, V.C.N.S.

Offices of the Cabinet and Minister of Defence, S.W. 1, 5th April, 1946.