Prepared by the Rosenman Mission
INDEX

SECTION I. The Problem

SECTION II. The Immediate Needs
A. Food
B. Transportation Equipment
C. Raw Materials
D. Coal

SECTION III. The Difficulties of Solution
A. Limitation of Port Capacity, Shipping, Finance and Supply
B. Limitation of Inland Transport
C. Administration and Procedural Problems

1. 3 H A E P and the National Import Program
2. Administrative Problems of Belgian Government

SECTION IV. Requirements and Financial Assistance for Reconstruction

SECTION V. Conclusions
THE PROBLEM

The economic problems facing North Eastern European nations are essentially alike in general, but they vary in their urgency, magnitude, and detail in the different countries. In certain respects Belgium was treated less harshly than many of her neighbors and is in more favorable circumstances than one might expect in a country which has been subject to modern warfare, occupied for a considerable period of time, and liberated while hostilities were still in progress.

When liberated, her port structures were found largely intact; and her industrial plants, coal mines and public utilities were in part still in operation or were in condition to be placed in operation quickly. Her transportation system was more severely dealt with, and a considerable part of the equipment was either removed by the enemy, destroyed or damaged.

Transportation difficulties have been enhanced by the fact that Belgium is now a supply route for a major theater of operations. Her ports, railroads and inland waterways cannot be made available other than to a limited extent for civilian use, as they are still needed for military operations. This fact presents a general problem which can only be solved by the importation of additional transport equipment or by the release of any transportation capacity as soon as decreased military activities permit.

The most difficult problems come from the fact that Belgium — like most densely populated, highly industrialized nations — has depended greatly on overseas imports. According to the Ministry of Trade, one-third of Belgium's imports from overseas were in the neighborhood of six
million tons annually of which about one-third was food for humans and livestock, and the balance was largely raw materials.

After Belgium was occupied her supplies from overseas were entirely cut off. The Germans, in order to use Belgium as a source of supplies for war, furnished some food and raw materials but in much small quantities than Belgium usually imported. Therefore, the Belgian economy functioned at lower levels than formerly and the standard of living of her people was gradually reduced.

Prior to liberation the Germans not only ceased to furnish needed products but, to the greatest possible extent, removed raw materials, food products, equipment, and livestock. Belgium's allies were unable for several months to furnish needed supplies in view of the tremendous military effort on the Western Front. The only supplies forthcoming were furnished by SHAPE under the disease and unrest formula, but the quantities were small and considerably less than those originally programmed.

As a consequence of these factors, the Belgian economy since liberation has not functioned even to the level achieved during occupation. The usual economic facilities, other than transportation equipment, are largely available but they must be shared with the military which has first priority. Stocks of various types — raw materials, semi-manufactured products, finished goods in the hands of manufacturers, wholesalers and retailers, and those customarily in the hands of consumers — are at a bare minimum or entirely exhausted.

The problems of Luxembourg are essentially similar to those of Belgium. Luxembourg was likewise quickly liberated and without extensive destruction.

Upon liberation, Luxembourg was practically self-sufficient so far as food was concerned. But the Ardennes offensive which began
in mid-December 1944, completely changed the situation as the northern half of the country — the food-producing section of Luxembourg — was overrun by German forces. The second liberation of Luxembourg left behind widespread destruction in agricultural areas, which greatly aggravated the economic situation.

Luxembourg is normally less dependent upon foreign sources of supply than Belgium particularly in food products. Raw materials, including coal or coke for the steel industry, must be imported as well as a wide variety of other products. Unlike Belgium, Luxembourg has an adequate supply of iron ore.

The economies of the two countries are closely interrelated and are treated as one in the SHAPE Supply Program. Furthermore, the two countries have a combined National Import Program. Belgium has assumed responsibility for protecting the interests of Luxembourg in procurement, shipping, and final delivery of needed supplies. In view of these circumstances, no attempt will be made as a general rule to treat the two countries separately in this report.

SECTION II

THE IMMEDIATE NEEDS

The immediate essential needs of Belgium as rated in order of emergency by the Ministry of Supply are as follows:

A. Food: Meats, fats, cereals
B. Transportation Equipment: Locomotives, wagons
C. Raw Materials: Cotton, coal, Rubber, Pyrites, Petroleum Products and others.
D. Coal:

It is not improbable that other organizations or individuals might rate these requirements differently. However, as in France and the other countries, they are all closely interrelated. For instance, an increased food supply might have the effect of
increased transportation capacity would permit importation of iron ore from Lorraine and make possible a better distribution of indigenous food supplies and coal. Each of these requirements will be considered in turn:

A. Food:

Belgium normally imports roughly one-half of her total food supply, some of it in the form of livestock feed. Among the products imported, the most important are cereals, meats, fats and oils.

During the occupation she was forced to rely almost entirely on her own resources and as a result she increased the production of potatoes, sugar and oilseeds. Livestock population was reduced drastically to free more grain for human consumption.

Germany did permit the importation of 100,000 tons of grain, 20,000 tons of fruit and some seed potatoes in 1943-44. Small quantities of food were exported to Germany during the occupation.

As a result of these conditions the average daily ration in the occupation years according to the Ministry of Food ranged between 1,100 and 1,300 calories, but this must have been supplemented appreciably by unrationed items and by purchases in the black market.

The situation improved about the time of liberation. The rations increased from 1,450 calories in September/October 1944 to 1,767 calories in March/April 1945. This improvement was made possible by a good harvest, some importations of food products by SHAPE and by less retention of food than formerly by farmers in agricultural producing areas.

- 4 -

SECRET
At present the rations announced are being honored and supplemented by unrationed food to the extent of an estimated 100 calories -- depending upon immediate availabilities of non-rationed foods and upon the extent of recourse to the black market. The black market is active, a reflection in part of the situation during the occupation period in which black market operations were considered patriotic by the Belgians.

The Ardennes offensive in December 1944 cut through some of the best agricultural sections of Belgium and Luxembourg. The offensive took place shortly after the time of harvest and the enemy in retreat carried with him large quantities of foodstuffs and livestock. Luxembourg which had been in a reasonably satisfactory position on food became a deficiency area.

As a result of the losses sustained in the Ardennes offensive, the inability of SHAPE to import the expected amount, and the earlier depletion of reserves, the population of Belgium is now seriously underfed. The national diet is low, probably not over 1,050 to 1,900 calories. There is a general consensus that the calorie intake falls short of 2,000 which is considered a minimum acceptable level. The greatest deficiency is in meat, fats and oils - those products which are in greatest world shortage.

This situation is aggravated by the substantial reduction in livestock. According to the Ministry of Food, a maximum monthly ration of only 7 ounces of butter can be issued over the next 6 months unless additional supplies are received from abroad. Additional cereals are likewise needed, and unless supplies of these products can be furnished in somewhere near the required amounts it is not improbable that the health of the population, already at low ebb through former privations, may be impaired.

SECRET
There were minor political disturbances before the fall of the dietlot Government which were attributed to food shortages -- although other factors were probably of greater significance. Nevertheless from observation and from the statistical evidence available, the conclusion seems warranted that the margin of safety during the past winter above disease and unrest was not wide, and unless the people of Belgium have more food, fuel, and employment during the coming months further impairment of health and further political disturbances are quite possible.

B. Transportation Equipment:

Prior to the war the Belgians had 3,500 locomotives and 90,000 wagons. The Germans removed 1,500 locomotives and at present only 1,000 -- including approximately 400 locomotives furnished by the military authorities -- are in working order. Of the 90,000 wagons in prewar years approximately 60,000 remain in use.

The result of this drastic reduction in normal equipment is that the railways are handling only 45% to 50% of the normal traffic. Of this, about 60% or more is military cargo. This leaves the Belgian Government for the transportation of civilian goods, only about 15% of prewar traffic capacity.

Considerable quantities of merchandise, about one-third of the total traffic, is customarily handled through inland waterways. There are now available 4,000 barges which constitute approximately one-half of the normal equipment. Barge facilities such as locks and canals are almost entirely intact. At present inland waterways are being operated at 40% to 45% of the prewar traffic level.

Because of the use of waterways, road transport has been relatively less important in Belgium than in many other countries. There were 37,000 trucks in use in 1938.
number 37,994 were still in Belgium in late February. Of these, 6,000 were not available owing to lack of spare parts and tires.

Attempts are being made to improve the transportation situation, chiefly through increasing the supply of locomotives, wagons and trucks. A total of 113 locomotives, ordered by the Germans, are under construction in Belgian factories, and deliveries at the rate of 10 monthly are expected to begin this summer. Orders have been placed in the United States for 80 locomotives and 6,000 wagons. An additional 110 locomotives have been ordered in Canada. Belgian officials expect to get some used wagons from the U.K. and have placed an order with Belgian industry for 10,000 wagons. It is hoped that sufficient raw materials can be accumulated, so that these wagons may be built during the second half of this year.

The Ministry of Transport and Communications greatly desires to import 4,000 trucks of 3 to 6 tons capacity. SHAPE estimates Belgium's requirements as 10,000 trucks of 3 ton capacity. The importation of transportation equipment other than trucks is considered an emergency measure, as Belgian industry has sufficient capacity to produce all the locomotives and wagons needed under normal conditions.

It is apparent that the transport available for the civilian economy, not more than one-fifth of the usual amount, is entirely insufficient. Economic revival cannot take place until the capacity available for civilian transport is appreciably increased, only then will it be possible to transport iron ore from Lorraine, to distribute effectively indigenous food supplies and coal, and transport raw materials from the ports to industrial centers when imports can be resumed from overseas.
C. Raw Materials:

Belgium is not a producer of raw materials, other than coal and a limited quantity of zinc. Her industrial activity, therefore, depends almost entirely upon imported products. She has customarily imported considerable quantities of special ores for the production of alloy steels, non-ferrous metals, cotton, wool, leather, rubber, petroleum products, raw materials for her chemical industry and timber products. These have come in part from the Belgian Congo, but the U. S., Canada and Sweden have been important sources of supply in addition to Continental countries.

Until importations can be resumed in substantial quantity her industry will remain paralyzed. It has been estimated that her heavy industry is operating at less than 10% of normal capacity.

The level of industrial activity is indicated by the unemployment situation. There are a large number of Belgians still in Germany, of whom the number has been estimated as low as 200,000 and as high as 800,000. Approximately 125,000 men are employed directly by the Allied military forces and many thousands indirectly through Belgian concerns. Yet there are still 287,000 unemployed according to the latest estimate.

Relief will be afforded in some measure by the purchasing programs of the British and American military forces, which are now getting under way. The British expect to use the entire spinning capacity of the textile industry on a one-shift basis for the production of battle dress. In addition there are programs for the production of cordage, film and photographic supplies, and utensils. The American military authorities likewise have substantial procurement programs including steel sheets, plates and shapes; automotive
parts; both ordnance and quartermaster items; and many other products.

For these programs part of the necessary raw materials will be furnished by the Armed Forces and will tend to alleviate the present situation, but probably only to a limited extent.

The shortage of coal is already a restricting factor on military programs and a sharp reduction in procurement may be expected after VE-Day.

D. Coal:

In previous years Belgium was practically self-sufficient in coal, although there was some import and export of particular types. In 1937 a peak year, 40,000,000 tons were produced. During German occupation production gradually decreased and reached an estimated total of 33,700,000 tons in 1943.

In an attempt to maintain production the Germans used conscripted foreign labor, and forced Belgians to work in the mines as an alternative to deportation to Germany. At the time of liberation between 35,000 and 40,000 workers left the mines to resume their normal and less arduous occupations.

In mid-February, 1945, the total labor force available was 108,000 workers in comparison to 130,000 workers usually employed. Furthermore, there has been a lack of pitprops.

As a result, output was substantially decreased after liberation. It has since risen to an estimated total of 1,000,000 tons in February 1945. Belgian officials believe that it will be between 1,200,000 and 1,375,000 tons monthly during the second quarter; and are hopeful that it can be gradually increased thereafter and supplemented by importations from the Ruhr.

Minimum Belgian requirements for coal are estimated by the Belgian Government to be 24 million tons annually and
by the SWP Mission to Belgium at 15 million tons annually. The true figure is probably somewhere between the two estimates.

The coal available has been roughly sufficient for supplying railways and other transportation agencies, power plants, gas plants and some miscellaneous industries. However, the electricity in Brussels until recently has been shut off during the daylight hours except for street car transportation. The gas industry, too, has been operating at a reduced level. During the winter there was comparatively little coal for consumer use and both houses and public buildings were largely unheated. One of the most serious results of the coal shortage last winter was in its effect on public health. A shortage of both food and fuel at the same time, particularly if long continued, might have serious consequences.

The present situation will not be remedied until there is an addition to the labor force in the coal mines, a more continuous and adequate source of pit props, and a flow of sufficient supplies such as lubricating oils and repair parts. Also, an increased supply of food and clothing for the miners should produce an increase in output per worker which since the beginning of the war, has been considerably reduced in Belgium as in all coal producing countries.

Until these conditions are met the only hope of increasing coal availability is through imports, possibly from the Ruhr.

SECTION III

THE RELIEF OF BELGIUM

The major problem of economic rehabilitation is to get additional quantities of needed products into the circulating system of the Belgian economy. The major responsibility for
solving the problem is with the Belgians themselves but it is a responsibility most difficult to meet as the inland transportation system, Belgian ships, and other economic facilities are still controlled by the military or other foreign agencies such as the Combined Shipping Allocation Board. The Belgians are powerless to bring about a substantial improvement in their supply situation unless there is effective cooperation by all concerned.

A. Limitations of Port Capacity, Shipping, Storage and Supply

Certain difficulties used to exist which are no longer applicable. Some months ago port capacity was a limiting factor. Now, however, the port of Antwerp can handle all probable incoming civilian tonnage without interference with the unloading of military cargoes.

The world shipping shortage is a limiting factor, but the projected schedule of ship allocations to Belgium is probably adequate. In this connection it might be noted that eleven ships were allocated to Belgium in March and that only six were loaded because of lack of cargo availability. After V-E day Allied shipping authorities believe there will probably be increased tonnage available, at least for a few months.

Financial considerations impose no limitation on procurement for Belgium. Holdings of foreign currencies, gold and additional dollars and sterling obtained through troop pay will provide all necessary funds for immediate purchases which do not come through Lend-Lease.

The most serious limiting factor on food is simply a shortage in world supply particularly of meats, fats and
oils. As long as this shortage persists all claimants on world supply will have difficulty in meeting their individual requirements. Belgium has usually imported edible oils and other miscellaneous food products from the Belgian Congo, and officials state that stocks are available ther for export if shipment could be arranged. At the end of March only four ships had been scheduled for the Congo and only one had arrived in Antwerp. Belgium will not be content indefinitely, particularly after Victory, without larger importations from her own territory of urgently needed food products and raw materials.

Raw materials present a quite different situation. Many of those most desired by Belgium to reactivate her industries are not in short supply and should be available in reasonable quantities when shipment permits. This applies to fibers for the textile industry, pyrites and other materials for the chemical industry and, in a lesser degree, to petroleum products, non-ferrous metals, synthetic rubber, and other materials customarily imported.

Imports from abroad are not, for the most part, the limiting factor to an increase in Belgium's supply of coal. While it is true that certain supplies of various character are needed from abroad, pitprops are largely a Continental problem, and the question of coal labor can only be solved by Belgium herself. Whether coal will be available to Belgium and other N.3. European countries from the Ruhr and the Saar, and if so, in what amounts, depends upon factors which are at present difficult to evaluate and which are discussed more fully in the Tabula-
tion on coal. Little immediate help can be given to Belgium in the solution of her coal problem, other than prompt attention to her requests for mine equipment supplies.

B. Limitation of Inland Transport.

Significant steps have been taken to alleviate the shortage of inland transportation capacity. The locomotives and wagons now on order, in addition to the repair of those damaged or unserviceable for other reasons, will make up an appreciable part of the present deficiency. However, the demand for transportation capacity by the Armed Forces will increase until the end of the war in Europe in view of the longer distances over which supplies must be hauled. For is there such prospect for a substantial decrease in military requirements after VE-Day, according to USAAF officers. The troops will have to be serviced as long as they remain in Europe. The transport of ammunition will largely cease but this, as a favorable factor, will at least in part be compensated for by longer hauls and redeployment of troops.

Admittedly, however, the urgency for transport will be less and therefore spot movements of foods for the civilian population may at times be given precedence over military supplies on both railways and inland waterways. It may be possible after VE-Day to use military vehicles for civilian purposes under emergency conditions. Nevertheless, the conclusion seems to be warranted that the most likely solution of the civilian transportation problem is the procurement of new or used locomotives, wagons, barges, and trucks to augment the existing supply. Otherwise, trans-
portation will remain a pressing problem and a limiting factor on economic revival. Most effective aid can be given through procurement a distance for equipment on order in the U.S. and Canada.

C. Administrative and Procedural Problems.

1. SHAIF and the National Import Program.

There are also certain administrative difficulties which impinge upon the successful procurement of supplies. In the early months after liberation, practically all imports came in under SHAIF auspices. In January, however, the Belgian Government presented a civilian program known as the National Import Program which covered the first quarter of 1945. This was approved by the Four-Party Supply Committee and SHAIF Head, and was accepted for planning purposes by the U.S. and U.K. Governments. Likewise in January these Governments accepted the principle of separate shipping allocation to the Belgian Government. In this way, the basis of the procedure for securing imports for Belgium was entirely changed. The national import program, however, did not, at that time, replace the SHAIF Civil Affairs program.

Therefore, there have been certain problems of integration. Two agencies—the Belgian Government and SHAIF—were assuming responsibility for procurement of certain like products for Belgium. In addition at the same time, a series of O-4 import programs for the General Purchasing Agent and the British Ministry of Supply were taken forward in order to make available raw materials to the Belgians for the manufacture of certain products which were
needed for the military forces.

Discontinuance of the SHAPF civil import program is now under discussion between SHAPF officials and the Belgian Government. A tentative date for termination, September 1st, 1945, is under consideration. All civilian supplies will then be procured through the Belgian National Import Program with the possible exceptions, as in France of FOI, coal, and raw materials for the G-4 manufacturing program. Imports for these programs may be substantial and may thus interfere with civilian supplies. Thus it will be necessary that Belgian officials be fully acquainted with the import programs for G-4 operations. The ultimate responsibility of SHAPF to implement the disease and unrest formula will remain with SHAPF, as Belgium will continue to be in the direct line of communications between supply sources and armies in field. If civilian imports into Belgium are insufficient to prevent disease and unrest SHAPF must again assume immediate responsibility and correct the situation.

Military authorities must cooperate fully if the National Import Program is to be successful, for the military authorities will still continue, at least in part, to control the ports, railways and inland waterways, which must be used in part for civilian purposes. To some extent, the Belgians will continue to be dependent upon the cooperation of military authorities until full authority is again exercised over all economic facilities.

It was partly with this thought in mind that the Four-Party Supply Committee was created. Its membership consists of representatives of the Belgian, the U.K., and the U.S. Governments and of the SHAPF mission, under SHAPF chair-
manship. It provides a forum in which all problems in relation to shipping, port clearance and inland transportation and import programs can be considered.

As the Committee was originally conceived, the SHAFT Mission representative would not be active in the work of the Committee in reference to the National Import Program nor would SHAFT Mission subsequently take the responsibility of sponsoring the program. While SHAFT Mission has not assumed sponsorship, in practice there has apparently been no distinction between members of the Four-Party Supply Committee in the responsibility which they assume in the Committee's deliberations. Through the Four-Party Supply Committee there has been close and effective cooperation between the various Governments represented. The British, as a result of close economic cooperation in earlier years, have a particular interest in Belgian supply problems. In time as SHAFT disassociates itself from the civilian supply problem, the three Governments should be able to continue effective cooperation in this Committee structure.


The difficulties of procurement have not only been in the joint machinery established to consider supply problems. They have also resulted from the ineffectiveness of the Belgian Government in supply matters.

It was not until February that the Belgian Purchasing Mission was established in Washington. Previously there had been no one in the U.S. with the necessary funds or authority to make purchases. As a result, actual procurement against import programs for the first six months has been very restricted. The basic reason for delay in procurement may be attributed to the
ultra-conservative policy followed by the Belgians. The Belgian Purchasing Mission had the requisite authority, but apparently was unwilling to take a firm position in reference to particular requisitions. At times the Purchasing Mission suffered from too restrictive directives from Brussels. There have been long and unnecessary discussions of prices, terms and specifications between the representatives of industry and the Purchasing Mission. As a result time has been lost, and goods have not been procured in the requisite quantities. For example, as mentioned previously, there were eleven ships available to Belgium in March, but only six of them were actually loaded. Five of the others was lost because the Belgians had not purchased the cargoes.

SECTION IV
REQUIREMENTS AND FINANCIAL ASSISTANCE FOR RECONSTRUCTION

Attention has been given in the preceding discussion to the problems of immediate supply and the difficulties which are being encountered in their solution. Even current supply programs include items of long life industrial equipment for reconstruction or replacement of capital assets. But present purchases of equipment and raw materials are not made in order to carry through an organized national program of reconstruction, but rather to meet some very evident immediate deficiencies such as those in the field of transportation.

As yet Belgian officials have not been actively concerned with long range problems of reconstruction and rehabilitation. Understandably these problems have not seemed of immediate importance compared to those of relief, food supply, inflation and care of displaced nationals. Comprehensive and reliable estimates have not been made as yet of the magnitude of the reconstruction problem nor of its probable demand on the foreign assets of Belgium.
A preliminary estimate has been made by the Belgian government of the extent of destruction on the basis of replacement cost. The estimate is 37 billion francs, the equivalent of about 7845,000,000 at the official exchange rate. This figure includes the value of some 25,000 homes which are said to have been completely destroyed. It is estimated that another 20 billion francs, of the equivalent of about 455,000,000, would provide for the wear and tear on productive facilities. Obsolescence has likewise accumulated during the war on productive facilities and represents a part of the reconstruction problem. No data is available as yet on the destruction caused by the Ardennes offensive or by the flying bombs which fell on Antwerp and Brussels.

Despite widespread destruction it is tentatively concluded that reconstruction will not present an insurmountable problem.

The Belgian ports will probably be turned back by the military in as good or better condition than at the beginning of the war, as some new equipment has been installed and permanent repairs made. For does the re-equipment of railways and inland waterways present insurmountable problems. If present plans are carried out the larger share of the deficiency in railway equipment may be overcome within a year or two and there may be restitution of some equipment which was removed to Germany. Furthermore, the Belgians have their industries largely intact. If furnished raw materials, they can soon be in to make up deficiencies in both capital goods and consumer goods.

Belgium will undoubtedly need a distance by way of credits to aid in the problem of reconstruction although her foreign asset position is fairly strong.

* The official rate of exchange (franc = 2.28$) overvalues the franc, perhaps considerably so. Therefore, the dollar equivalents given herein should be used with caution.
Her present gold holdings are in the neighborhood of
$700,000,000 but these are now being used in small amount for
current purchases. Furthermore, she has demanded full disclosure
of foreign assets held by her nationals, and she may see fit to
mobilise them for purposes of reconstruction. In addition,
substantial quantities of dollars and sterling will be received
from troop pay.

However, it is impossible at this time to determine
accurately the amount of the assets which will in fact be available
for financing importations to be used for a reconstruction program.
If a Land-Lease agreement similar to that negotiated with the
French is concluded as the result of current discussions and if
substantial deliveries are made under the agreement, Belgium's
international financial position will be considerably improved.

There are still other imponderables in the Belgium
situation. Among these are the final quantitative relationship
between direct and reverse Land-Lease; the rapidity of revival
of export trade, particularly as influenced by the rate of ex-
change; the extent to which economic facilities continue to be
used for military purposes; and the future stability and effective-
ness of the Belgian Government.

Some months hence, planning for reconstruction in
Belgium will undoubtedly receive adequate consideration, destruction
will be fully assessed, and requirements from overseas both for goods
and credits will be determined. At that time Belgian officials, in
all probability, will attempt to arrange credits in the United
States, or from the Monetary Fund or the International Bank for
Reconstruction and Development, if these institutions are estab-
lished in the meantime. The provisions of the Johnson Act
apply to Belgium, and thus there is no possibility of securing
credits at present from private sources in the United States.
Neither can arrangements for credits with the Export-Import Bank of the U.S. as the Bank is restricted by a "Johnson Act" clause. Thus the proposal by the Congress of the "retten undergraduates legislation," the repeal of the Johnson Act, and the proposed amendments to the existing legislation regarding the Export-Import Bank, would open many avenues for financial assistance to Belgium.

If the legislative program is approved, recourse to private sources of credit in the United States, the Export-Import Bank, and ultimately to the Monetary Fund and the International Bank for Reconstruction and Development, if subsequently established, should largely solve Belgium's financial difficulties of reconstruction and rehabilitation.

S.G.I.ILY

CONCLUSIONS

My conclusions with respect to Belgium for the immediate future are as follows:

1. A decision should be reached shortly establishing the earliest feasible date on which military responsibility for civilian supplies in Belgium may terminate, and this decision should be communicated to the Belgian Government as quickly as possible in order to permit advance planning. If a decision is made to continue military responsibility for a few highly strategic products this responsibility should likewise be terminated as soon as military considerations permit.

2. During the period in which military authorities control ports, inland transport and other economic facilities, all assistance consistent with the military effort should be given to the end that the national import program will not be restricted through the lack of facilities for the transfer of goods.
3. The Four-Party Supply Committee composed of representatives of SHAEF, the U. S., and British Embassies and the Belgian Government should be continued as long as the military control economic facilities in Belgium. The military should assume no responsibility for screening or sponsoring National import Program except to certify as to port and clearance availabilities, while SHAEF should play a lesser role in the performance of Committee functions after termination of its civilian supply program, it must still act as an observer on the Committee in view of its contingent responsibility for the prevention of disease and unrest and its control of transport.

4. The General Purchasing Agent and the British Ministry of Supply liaison should keep the Four Party Supply Committee or its successor completely and currently informed of their procurement programs and of their actions taken to implement these programs.

5. The allocating authorities in Washington should accord as high priorities as possible, in the light of other demands, to Belgian requests for meats, fats and cereals; locomotives and wagons, trucks; and supplies and maintenance parts for coal mining machinery.

6. Belgium should be aided in every appropriate manner to take advantage of the additional shipping tonnage which it is expected will be at least temporarily available after the termination of the war in Europe, including Belgium's need for shipping from the Belgian Congo.

7. Instructions to the Embassy in Brussels from Washington on all matters in the civilian supply field should be coordinated to the end that they report the combined views of all departments concerned.

- 21 -
6. Every effort should be made by the several departments in Washington concerned with supply and reconstruction matters to increase and expedite the flow of information of a background character to the Embassy.

By conclusions, with respect to Belgium's requirements in terms of financial assistance from the United States for reconstruction and rehabilitation are as follows:

1. The question of requirements in terms of financial assistance for the reconstruction and rehabilitation of Belgium should be reviewed in a few months hence. At that time the magnitude of the problem in relation to her requirements from abroad and the adequacy of her foreign assets for meeting these requirements will have been more fully determined.

2. I urge the prompt approval by Congress of the proposed financial legislation, including the Bretton-Woods legislation, the repeal of the Johnson act, and the proposed amendments to the existing legislation regarding the Export-Import Bank. Passage of this legislation would permit Belgium to negotiate credits with private capital sources and the Export-Import Bank and thus aid in the solution of her earlier financial problems. Later recourse to the Monetary Fund and the International Bank for Reconstruction and Development, if approved by other nations and subsequently established, would provide at least a substantial part of the funds necessary for long-range economic rehabilitation.

Prepared by Rosier Mission
REPORT ON THE NETHERLANDS

Prepared by the Rosenman Mission
London, England, April 15, 1945
INDEX

I. The Problem

II. The Previously Liberated Areas
   Food
   Transport
   Coal
   Electric Power
   Dredging

III. The Netherlands North of the Rivers

IV. The Immediate Needs
   Food
   Transport
   Flooding
   Forest
   Electric Power
   Coal
   Housing
   Other Needs
   Four Forty Supply Committee
   Displaced Persons

V. Requirements and Financial Assistance for Reconstruction
   Recommendations

SECRET
THE NETHERLANDS

I. THE PROBLEM

Although a substantial fragment of the Netherlands was liberated as a result of the first Allied sweep across Western Europe, the bulk of the Dutch population and territory lies in the area into which the Allied armies are only now penetrating. It is generally conceded that of all the liberated countries of Northwest Europe, the Netherlands will present the gravest problems and the starkest scenes of desolation and starvation. In slight measure the already liberated portions gave a foretaste of what may be expected in the rest of the country, but the accounts which have been brought across the lines, supplemented by official German statements, make it clear that the Nazis have adopted a policy of savage retaliation upon the Dutch for their continued and heroic resistance. The people of Holland's great cities have been systematically starved, industrial establishments have been moved to Germany or wrecked, ports have been destroyed, transport equipment has been drained down to the lowest level, and much of the country has been flooded. In the light of the evidence now available it does not appear too much to predict that the Netherlands, known for centuries as a country of world importance, of wealth, and of high living standards, will emerge from the war a poor country, engaged at least for the first years in a bitter struggle to achieve even a moderate standard of living.

*1 - REPORT*
The revenge which has been taken upon the Netherlands by the Nazis will leave peculiarly difficult problems behind it, not only because of the scale of the damage done but also because of the nature of the country itself. Perhaps more than any other country in the world the Netherlands is an artificial creation. There is little that is self-sustaining, much of the soil will grow little unless it is fertilized, there is no timber except that which has been planted, and of minerals there is nothing but some coal in the already liberated southern section.

While some farming is carried on, it occupies only about 21% of those gainfully employed in the country, and has taken the direction rather of an intensive agricultural industry, the products of which were to a considerable extent destined for export, than of subsistence farming.

In this tight-packed interdependent mechanical creation, with a population density of nearly 700 per square mile, no part can move effectively until the whole machine is in operation. Unless the water in the canals is at the right level, no fertilizer can be brought in, and without the fertilizer only the delta areas of river silt will produce. The water under the fields must be at the right level if they are to be fertile, but these levels cannot be controlled unless the canal locks and sluices are operating; and these are in turn dependent on the mining and transport of
SECRET

coal and on the production and flow of electricity.

The energies of the Netherlands have been primarily
devoted to processing and transshipping the materials going
in and out of Northwest Europe, and the industries and services
connected therewith. The sea, and the canals and rivers of
the Netherlands, interlocked with those of surrounding countries,
have been the lifeblood of the country, carrying the vast
world trade which has been built up. To put the Netherlands
back on its feet it is essential to rebuild the ports, to
restore its complex inland waterway system and to bring back
to life its international carrying trade. While these longer-
range projects must wait upon the bringing of first-aid relief
to the stricken people of the country, they cannot be long de-
layed if the country is to be able to pick up the threads of
its own life again. The tempo at which they can be accomplish-
ed will be determined in great degree by the extent to which
the country proves to have been flooded and the speed with which
the Dutch, aided in the first instance by the military authorities,
can bring the de-watering and the sluice and dyke repair programs
into successful operation.

II. THE PREVIOUSLY LIBERATED AREA:

In September and October, 1944, about 2,000,000 people,
or 20% of the population of the Netherlands, were liberated in
the area south of the rivers which have been up to this time
the barrier to Allied advance. The difficulties of dealing
with this liberated area were enhanced by the fact that most of
it has been in or near combat zones since it was first entered

SECRET
by Allied troops. Furthermore, until the port of Antwerp was opened the extreme length of the supply lines from the French ports and beaches prevented substantial assistance from reaching this area. The area involved contains neither large cities nor significant centers of government, and is largely agricultural in character. It also contains some industrial plants and in the Limburg area in the south has the only coal mines existing in the Netherlands. Since it constitutes only a truncated portion of the Netherlands the solution of its problems could be only on a temporary and somewhat makeshift basis and bear little relation to the far graver problem of the heart of the Netherlands lying north of the rivers. Despite the original difficulties, conditions in the last two or three months have in general been improving, a considerable portion of the power generating facilities have been restored, transport is again beginning to move, and some of the industries are reviving.

FOOD: The liberated area is one which normally has a surplus of potatoes and sugar. It is, however, deficient in bread grains although its production in this sphere has been somewhat expanded during the war. The normal surplus of dairy products and pork was sharply reduced by the fall in livestock production during the period of occupation. During the early months after liberation, transport and other difficulties cut food rations considerably below the standard which had been maintained under the Germans but from December onwards the opening up of Antwerp made possible larger food import and a consequent improvement in the rations. The ration scale now in effect provides an
average of about 1,875 calories per day. Since the black market has been more effectively curtailed in the Netherlands than in either France or Belgium and there are few foodstuffs available outside the official ration, total food consumption is not far above the official ration figure. It is feared that the failure to secure additional supplies of meat and fats will force a cut in the rations for these commodities in the immediate future, and it may also be found necessary to draw upon supplies available in this area to meet the needs of the still occupied portion of the Netherlands.

TRANSPORT: The transport conditions which were found immediately after liberation were very bad. Virtually all trucks had been removed by the Germans, nearly all of the railroad and canal bridges were down, the canals themselves were in many cases blocked or inoperative, and there was widespread railroad track demolition. This transport shortage made almost impossible the movement from one section to another of such surpluses as existed in the area. Invaluable assistance has been given in this sphere by the military authorities, who made available to the SHAPE Mission a transport column of 600 trucks for the local distribution of imports, indigenous supplies, coal, etc. It is generally agreed that the work of this transport column has been a very large factor in the virtual elimination of the black market. Some reconditioned trucks are now being brought into the area from the United Kingdom for the Netherlands Government and it is expected that these will relieve the military trucks for service in the Dutch
areas into which the military forces are now penetrating. At the present time practically all the railroad capacity of the liberated area is being utilized by the military authorities.

**COAL:** The annual prewar production of coal in the Netherlands ranged from 12,500,000 tons a year to over 14,000,000, and in 1943 was 12,497,100 metric tons. The mines suffered no battle damage in the course of the Allied advance, but the Germans in their retreat attempted to cause a complete suspension of mining operations through the demolition of power facilities and the removal into Germany of necessary operational supplies. In the Limburg mining area the enemy left only 54,000 KW of serviceable generating equipment out of a total of 272,000 KW in the five main plants. With the technical advice and assistance of the military this has been increased to 116,000 KW. In the Netherlands as elsewhere the pitprop problem is serious but efforts are being made to work out arrangements for the procurement of some pitprops from within the country itself and from Belgium, Luxembourg, and Portugal. The problem of securing adequate mine labor has not proved a serious one although the efforts in this direction have been hampered by lack of transport for the miners and inadequate soap and food supplies. Extra food allowances are now being provided for the miners, but they have not yet reached the 4,000 calories a day level which was set by the Germans. In September the impact of military operations virtually eliminated coal production, but it rose rapidly to 313,000 tons in February. The current
estimate is that there will be a steadily rising curve of production, reaching 580,000 tons in June. By the end of the year the rate of production is expected to reach 40% of the prewar tonnage.

**Electric Power:** Prior to liberation the effective capacity of the power plants connecting to power supply systems in this area was 450,000 KW. During the operations preceding liberation of these provinces destruction by the enemy and operational damage reduced this capacity to 120,000 KW, which represented a loss in production capacity of 73 percent. Much of the damage in the Netherlands was suffered by major transformer substations. A substantial part of the damage was so severe that provision for its repair cannot be made while active operations must be supported on the continent. The transmission lines suffered operational damage from shell fire, and their repair has been made more difficult because it has been necessary to remove the mines laid along the transmission lines before permitting access to repair crews.

The type of destruction in the Netherlands and the necessity for removing the mines along the transmission lines has made it essential that the civilian authorities receive substantial military assistance in the rehabilitation process. By March 1945 the efforts of the local utilities officials, assisted by the Allied military forces, raised the effective capacity of the production systems in the liberated area to 227,000 KW or approximately 50 percent of normal. Present plans call for a further increase to 266,000 KW, a level of 65 percent of normal by September 1945. The balance of generating equipment is so badly damaged that further repair
under present conditions is impossible.

DEFOODING: The most serious flooding which has occurred in the liberated area took place on Walcheren Island as a result of Allied bombing attacks on German military installations. The flooding of a large part of this island involved not only a loss of highly valuable agricultural land but also threatened the communications through Flushing between the rest of the Netherlands and that part of the Province of Zeeland lying across the Scheldt. The most disturbing feature of this episode for the Dutch, however, was the failure to obtain firm and secure decisions as to where responsibility for the repair job rested, to what extent Allied military assistance could be counted upon, and what backing could be secured for the procurement of the necessary deflooding machinery and equipment. The decision was finally made that the Netherlands Military Administration would undertake the work, with SHAPE giving such help as it could in equipment such as trucks, jeeps, and some small tools. The deflooding work on Walcheren is now in progress.
III. THE NETHERLANDS NORTH OF THE RIVERS

As the Allied Forces move into the Dutch territory north of the rivers to which the Germans have stubbornly clung they are presumed to be encountering more serious civilian problems than any which they have encountered up to this time. Dutch resistance has cost the people of the Netherlands a staggering price. In contrast to the less exacting military administration which Germany imposed on Belgium, they suffered under a Nazi civilian administration which penetrated deep into the Dutch administrative structure and which despoiled the country of its resources. The culmination of Dutch resistance was the railroad strike called for by General Eisenhower last fall, in retaliation for which the Germans cut off all civilian transport within the area as far as possible and reduced rations and other supplies to the point of actual starvation. It is obviously not possible to give at this time a detailed picture of the conditions which will be found north of the rivers but there is ample evidence that, even if no further destruction is undertaken by the Germans in their last stand or retreat, the conditions which will be found will gravely tax the resources and ingenuity of the Allied military authorities in their first-aid effort and of the Netherlands Government in its efforts to secure a broader rehabilitation.

For planning purposes the area has been divided into three sectors:

E.1 This Sector comprises the Provinces of North Holland, South Holland and 40% of the Province of Utrecht, with a population of 8½ to 4 million people. Since it includes the great ports and urban centers of the Netherlands, such as Rotterdam, Amsterdam, the Hague, and Utrecht, and is also knit together by a highly complex transport system, it will present the gravest problem and has been the center of the bulk of the

- 9 -
advanced military planning for relief purposes. It is in this sector that the most serious starvation conditions have been reported and it is alleged that the official rations in the cities have fallen to as low a level as 200 calories a day. In view of transport difficulties and the distance from surplus food areas, it is not probable that the official rations have been very substantially supplemented for the mass of the urban population in the larger centers. A small quantity of relief supplies has been brought in by the Swedish Red Cross but it does not appear that this has had a significant effect in alleviating conditions of starvation.*

B.1. This Sector comprises the remainder of the Province of Utrecht and part of the Province of Gelderland, with a population of 800,000. It lies immediately north of the rivers and to the east of the southern base of the B.2. Sector. Since it is a

*The seriousness of the situation in the B.2 area is clearly indicated in a telegram sent from the International Red Cross Committee in Geneva to London on March 26. This telegram, which represents the report of two International Red Cross delegates who had just returned from occupied Holland, states that the present weekly ration per person in this area is 500 grams of bread and potatoes. It reports that there are many cases of sickness due to the famished condition of the population and that mortality is increasing disturbingly. The remainder of the telegram reads in part as follows: "Coal supplies catastrophic no gas no electricity no coal for tugs enabling transport of food from better supplied Eastern Provinces working capacity of flour mills reduced to minimum owing lack coal stop large arable areas flooded owing pump installations for draining not working stop Sewage in towns out of order owing lack electricity for working pumps stop Hygienic conditions deplorable danger epidemics great also owing absolute lack medications stop Recapitalizing according Louwe's (in charge of food supplies in occupied Netherlands) "already insufficient rations will have to be halved from fifteenth May if till then massive relief food medicines coal does not reach Western Provinces in which case Holland faced with greatest catastrophe of inconceivable consequences stop."
mixed industrial and agricultural area, it is expected that some problems will be encountered but the available reports indicate that conditions are by no means as serious as in the B.2 sector.

C. This sector comprises the remainder of the Netherlands east of the Maas and adjoining Germany, with a population of 2,500,000. It is largely an agricultural area in which, according to the available reports, food and other living conditions have remained at a reasonably high level even during the recent worse period of the German occupation.

The military authorities, acting in close collaboration with the Netherlands Military administration and the Dutch authorities generally, have prepared extensive plans to deal with the problems which will confront them as soon as the area north of the rivers is opened up in whole or in part. It is expected that very serious difficulties will be confronted in the first efforts to bring relief supplies to the B.2 Sector because of the destruction of the bridges across the rivers and the general disorganization of the transport system. The supply problem for the big cities can be handled effectively over any long period of time only if both port and internal transport facilities can be opened up in the Netherlands, but it is known that much port and transport destruction has already taken place. It is not improbable that the Germans will attempt to hold on to certain of the key port areas as they have done in France. If this proves to be the case, further large scale destruction of port facilities may be expected as a result of military operations, even apart from planned destruction by the Germans.
A stockpile of food for the B.2 area has been established in the liberated portion of the Netherlands. At the time I visited this stockpile on April 1st I was informed that it contained 26,000 tons of food. It was expected that it would shortly reach the planned level of 44,000 tons, which constitutes an estimated 21 day food supply for the B.2 area. A further 60 day stockpile is being held in the U.K. These stockpiles are composed primarily of hard rations such as biscuits, canned meat and fish, pulses, etc., and it will be necessary to supplement them with other local foodstuffs, such as potatoes which may be available from the already liberated portion of the Netherlands or from C. Sector. Arrangements have also been made for general medical supplies and for special medical and nutritional attention for persons gravely afflicted by starvation.

The Dutch authorities have been fearful that the actual execution of the military program for the immediate relief of the B.2 sector will fall short of the need. There can be little question that in view of the great continuing operational demands in Germany it will be difficult to secure both the necessary personnel and transport to carry the job through with the speed and thoroughness which appear to be necessary. Although the conditions now existing in the liberated portion of the Netherlands are definitely improving, the Dutch authorities fear that some of the delays and confusions which they claim to have marked the early stages of liberation south of the rivers will be repeated in the areas now being opened up.
IV. THE MILITARY HUMAN

Despite the fact that it will not be possible until after the full liberation of the Netherlands to determine the precise needs of the country, at least the general outline of these needs is already apparent. Their magnitude may prove to be far greater than current minimum estimates if the Germans undertake extensive measures of destruction or if flooding is carried to the extreme lengths which are possible.

The problem is complicated by the fact that the Netherlands appears to be an area the rehabilitation of which may not be as directly vital to the successful progress of the war as that of other areas of Northwest Europe. It is therefore to be expected that military assistance will be more limited in connection with the rehabilitation of railroads and public utilities, for example, than in areas which are of greater operational importance. Military assistance will, therefore, tend to be confined to strictly first-aid measures, leaving to the Dutch virtually the entire longer range program; but if it should prove possible for the military to make large scale use of Rotterdam, or perhaps of other Dutch ports, the scale of military assistance for direct military purposes would increase.

In part because of the expectation of limited military aid and in part because of the dismay and doubt with which the Dutch authorities view the highly complex Allied supply machineries, both military and civilian, the Dutch government is deeply concerned to have at its disposal a stockpile of food and other essential commodities to enable it to assume supply responsibility on the termination of the period of military responsibility. The basic reasons they have advanced for such a stockpile, which they propose should be located nearby in the U.K. and in liberated Dutch territory, are: (1) There will be practically no stockpiles in the
country itself, resulting from the extremely low domestic production, looting, and destruction; 2. The military authorities are expected to bring in goods for immediate use or consumption only, and will not build up any appreciable stockpiles; 3. The greater part of the commodities needed—especially food—are produced in the Western Hemisphere and Africa, and will require two or three months for transportation to the Netherlands; and 4. The foodstocks the Netherlands Government have available are all located in the Western Hemisphere and are limited in quantity and are not well balanced.

It is proposed by the Dutch that this stockpile should cover, firstly, consumer goods like foodstuffs, medicine, clothing, and footwear; and, secondly, harbor and transport equipment needed for unloading and distribution, and various other commodities which are of prime necessity, such as trucks, power equipment, and kerosene.

It was made abundantly clear to me by the representatives of the Netherlands Government with whom I spoke that, while they do not distrust the goodwill and good intentions of the military and civilian authorities of the U.S. and U.K., they feel a very deep fear that the necessary supplies will not be forthcoming for their country. It is their feeling that the Dutch people have been pressed to the extreme limit of their physical and spiritual endurance, and that, unless relief can be brought them speedily in adequate measure, the social, political and economic consequences are likely to be very grave.

FOOD: The most urgent need of the Netherlands is for the importation of food for the urban population in the B, E sector.

As has been indicated above, the military authorities have
established stockpiles for this purpose in both the Netherlands and the U.K., and elaborate plans have been made for their speedy delivery.

Although cultivation in the Netherlands is very intensive and high yields are obtained, domestic production of food before the war was equivalent to only about two-thirds of consumption. There was an important livestock industry, producing meat and dairy products for export, but this industry was largely dependent upon imported feed. Grain, sugar and vegetable oils were imported for human consumption. During the war the Netherlands was cut off from imports of both food and feed, and had to manage entirely on its own resources. The area in cultivated crops was expanded by 20% with the result that bread grain production increased moderately, and potatoes and vegetable production more substantially. Livestock production of necessity declined drastically, and it is believed that the Germans have carried off large quantities of livestock.

For the remainder of the occupied Netherlands (Areas B1 and C) which is normally self-sufficient or surplus producing, it has been assumed in the planning that all surpluses will have been removed or destroyed by the Germans, and that the entire non-farm population will have to be completely fed with imported food. The farmers, it is assumed will have been able to retain only enough food for their own needs.

There is an urgent need for farm machinery and fertilizer. Tractors, disc plows and furrow plows are being brought in from a stockpile in the UK under the civilian import program. Additional machinery has been requested from the US. About a quarter million grain and flour sacks have been turned over to Dutch authorities. A shipment of binder twine for the 1945 harvest is being arranged for arrival in May.
While the country normally produced vegetable seeds for export, the seed growing regions are still occupied by the Germans, and seeds are being imported from the UK and France for spring planting in the liberated area. The Netherlands is supplying France and Belgium with 10,000 and 6,000 tons of seed potatoes, respectively. A small quantity of platinum necessary for the operation of the one nitrogen fertilizer plant in the liberated area was flown in from the US under high priority.

The Civil Affairs requirements for food for the Netherlands fall just short of 1,000,000 tons for the 6 months period from March through August. In the same period the Dutch National Import Program contemplates an additional import of 300,000 tons, a significant part of which represents such source commodities as meats, fats and oils. The Netherlands Government has requested from the U.S. the supply of about one-third of this amount.

According to J.J. Giespen, Minister for Trade, Industry and Agriculture, the nearby food stockpile which the Netherlands Government desires to build up to meet its own interim supply responsibilities should be made up of the following commodities:

<table>
<thead>
<tr>
<th>Cereal foodstuffs</th>
<th>230,000 tons</th>
<th>Oils, oilseeds and soap</th>
<th>42,000 &quot; (64,000 tons fat equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protein food</td>
<td>49,000</td>
<td>Sugar</td>
<td>27,000</td>
</tr>
<tr>
<td>Various</td>
<td>12,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total food stockpile needed:</strong></td>
<td><strong>367,000 tons</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This proposed stockpile is calculated on the basis of the estimated import requirements for July and August contained in the Master Import Program.

The re-establishment of the fishing industry will open up an important additional source of food. By arrangement with the Belgian authorities a limited number of Dutch boats have
already been allowed to fish in Belgian waters, and it is highly important that every assistance be given to the Dutch to enable them to expand their deep sea and shell fishing operations.

**TRANSPORT:** It is expected that every aspect of the transport system of the Netherlands will be found in a thoroughly disrupted condition with an almost total lack of vehicles and facilities. Plans are being made by the military authorities for the immediate provision of vehicles and water transport facilities to enable them to undertake the distribution of food in the liberated areas and carry out the first stage of their relief operations.

The ability to provide this transport is, however, obviously limited by the needs of the continuing campaign in Germany with its immense drain upon all available transport.

In the past the transport system of the Netherlands relied on inland waterways for the carriage of 60% of its traffic, and the remaining traffic was carried two-thirds by truck and one-third by rail. It is probable that the inland waterways will be found very seriously obstructed both by mines and by the destruction of sluices, locks and bridges. Many months of intensive work will be required to put the waterways back into operation, and it is expected that much additional barge equipment will be required.

The prewar truck population is estimated at 84,000, but the conditions which were found in the already liberated portion of the country leave little hope that many trucks will be available in the northern areas. In addition to the large number of trucks which the military authorities expect to be able to utilize in their relief operations, the Netherlands Government sees the need for a further 5,000 trucks to be imported in the six months period from March to August beside the 1,000 trucks now programmed for procurement in the U.S. and Canada. Road re-pair work requiring the import of a substantial quantity of
materials will also be necessary.

In the previously liberated area 86 locomotives were recovered as against a total of nearly 900 locomotives powered for the whole of the Netherlands, and it is reported that 180 locomotives are now operating south of the rivers. It is the current assumption that very few locomotives and very little in the way of rolling stock will be found to have been left behind by the Germans in serviceable condition. Fifty locomotives have been purchased by the Netherlands Government in Sweden, and the allocation of more locomotives is now being sought. Extensive repairs to railway bridges and trackage will also be necessary.

It is obvious that the ability to restore the transport system to effective operation will be a major determining factor in the success or failure of both relief and rehabilitation programs.

FLOODING: Until all the returns are in, it is idle to speculate as to the extent of the Netherlands which may prove to have been flooded, but it is already known that large and important areas have suffered severely. This flooding, in part caused by direct demolition of dykes and sluices and in part by the inability to keep pumps in operation, will very seriously impair the ability of the Netherlands to rehabilitate its agricultural production, and, insofar as salt water flooding is involved, will destroy or impair the productivity of the land for years to come. Flooding which affects the major cities will obviously increase greatly the difficulty of dealing with the already grave problems which they present. While major communication lines appear on the whole to be above the probable flooding level, the lesser lines of communication will be seriously obstructed.

The military authorities plan to handle as a military matter only the most urgent deflooding necessary to enable them
to carry on relief operations, particularly in the urban centers, and to carry on such other direct military operations as may prove necessary. The remainder of the task will fall upon the Netherlands Government.

Primarily through the efforts of the Netherlands Government as a part of its National Import Program with some assistance from the military authorities, elaborate planning activities and some procurement have already been undertaken in connection with the deflooding programs. Relatively large scale purchases of wooden materials and of other tools and equipment have been made in Sweden, but the delivery of these supplies is still problematical. Other programs involving pumping and electric generating plants, contractors' plant and tools and materials for repair to drainage structures, and drinking water units are in various stages of allocation and procurement in the U.S. and U.K. In some instances top priority has been granted to these programs and it is of the first order of importance that every possible assistance be given to the Dutch authorities if the programs are to be carried through in time.

PORTS: In view of the great dependence of the Netherlands on foreign trade, the rehabilitation of the ports is a matter of outstanding concern. The rehabilitation of the port of Rotterdam, which in the prewar period received a larger number of ships and a larger cargo tonnage than Antwerp, would be of particular value both to the Dutch and to the military authorities. In 1937 60% of the total tonnage of the Netherlands moved through Rotterdam by sea and by river and canal. The second largest port is Amsterdam, which took less than 9% of the total shipping movement in Dutch ports. Both are largely artificial ports connected with the sea by waterways which it will be necessary to clear of mines and other obstructions. Large scale damage to
port installations is expected in both cases.

SHAEF has authorized port acceptance and clearance capacities to the Netherlands in Antwerp and nearby ports of 2000 long tons per day, and the Dutch are also carrying out minor shipping operations in Flushing and several other small ports. The provisional MFT and NSA shipping allocation for the Netherlands for the second quarter is currently under review in light of the port clearance now indicated by SHAEF.

ELECTRIC POWER: On the basis of information which they have received, the military and the Dutch authorities expect extensive demolition of the power generating and distributing systems. In order to supply the necessary power and to reduce the need for the importation of coal, plans have been elaborated and are well along toward completion for the hooking up of the power supply of the south to certain of the major systems in the North. Two floating power plants which are now in Belgium are expected to be released for service in the Netherlands, and portable diesel electric equipment is available and can be moved in quickly.

Repairs on transmission lines into Germany are being carried out by the military as the armies move forward so as to permit flow of power back into the Netherlands from the salvaged German plants. The military authorities state that a tentative supply of 20,000 kw is planned from these sources.

COAL: It is estimated by the military authorities that the provision of 300 tons of coal a day for the Bl sector will be necessary to carry through the plans in connection with emergency food distribution, and that 2,000 tons a day will be needed for the rehabilitation period.

Prewar the Netherlands produced approximately enough coal to meet their own needs, although some import and export were undertaken. The Dutch master import program calls for the
import of 300,000 tons of coal for a six months period in addition to the coal produced domestically. Since the mines were highly mechanised, there is an urgent need for conveyor belting and other maintenance and operating equipment.

HOUSING: To an even greater extent than elsewhere in the liberated areas of N.W. Europe, it appears probable that the Netherlands will require both emergency shelter provision, and materials for more permanent housing rehabilitation. In the previously liberated area alone, 125,000 of the 450,000 dwellings are reported to have been damaged, and another 25,000 completely destroyed. The recent tragic accidental bombing of residential sections of the Hague serves to emphasise the housing problem with which the Dutch authorities will be confronted.

The requirements for timber for this purpose, as well as for a number of other purposes, are very large and deserve priority attention.

TEXTILES NEEDS: It is clear that there will be an extensive need for the importation of both finished clothing and shoes, and the textiles, leather and other raw materials from which clothing needs can be met. These needs have been stressed by both the Government and the SHAFF Netherlands Mission.

The Netherlands Government is naturally anxious to secure rehabilitation and reactivation of industrial production as soon as internal conditions, shipping, and port facilities allow. Since the Netherlands is almost wholly barren of essential raw materials, this will require the import of iron, steel and other metals, cotton, chemicals, etc., in addition to the necessary repair parts and maintenance equipment.

FOUR PARTY SUPPLY COMMITTEE: The Four Party Supply Committee, although it is still relatively young, has proved a very useful
instrument for the purpose of securing an agreed statement of the needs of the Netherlands and an indication of the military and civilian programs to meet these needs. Like its counterpart in Belgium, it has remained a small body actively working on the review and composition of import programs. Much of the spade work for the main Committee has been done by a working party which has been divided into two sections dealing respectively with food and agriculture and with industry. A master supply program has been endorsed by the Committee and was sent to Washington late in March. This program, which is based primarily on a realistic estimate of need rather than of supply or shipping considerations, proposes the import of about 24 million tons of supplies to the Netherlands from all sources for the six-month period from March through August.

DISPLACED PERSONS: All phases of activity looking toward the relief and rehabilitation of the Netherlands will be affected in greater or less degree by the estimated 600,000 displaced persons of Dutch nationality. One of the immediate fears is that large numbers of these persons may attempt to return to the stricken urban centers before adequate provision can be made to care for them. The repatriation of the displaced persons, while it will provide additional labor forces for the Netherlands, will also introduce continuing problems of feeding, housing, and the prevention of disease.
V. REQUIREMENTS AND FINANCIAL ASSISTANCE FOR RECONSTRUCTION

Although Netherlands Government officials have given some thought to long term reconstruction, it is obviously impossible at this time to plan with any degree of concreteness. The destruction continues as the result of current military operations, and until the country has been completely liberated and a thorough survey of actual existing conditions has been made, planning for reconstruction can only be carried forward on the basis of uncertain assumptions as to the extent of the probable total damage.

In that portion of the Netherlands now liberated, as was previously indicated, the flooding of land and the destruction of housing, railways, internal waterways, dock facilities, bridges, and public power installations constitute the most serious problem. The potentialities of destruction are even greater in the occupied areas as these areas include a greater share of the industrial capacity and the great ports of Rotterdam and Amsterdam. If the country is flooded to the maximum extent possible, 45% of the land would be covered. In that event the Netherlands would lose at least temporarily about 60% of its agricultural production and almost 70% of its industrial production capacity. In the event of salt water flooding, it would take many years to restore the soil to productivity.

Internal resources will provide for some reconstruction but the Netherlands must import many raw materials; among them iron and steel, metals, timber, building materials and rubber.

If industry is the subject of extensive destruction all types of fabricated products will be needed in the reconstruction program. Pumping, excavating, and road building equipment will be particularly needed.
Fortunately, the Netherlands is in a favorable position for financing requirements both of immediate supplies and for reconstruction. Gold holdings in the United States as of January 1945 amounted to $347,000,000 and those of the Netherlands East Indies to $135,000,000. Holdings outside the United States, as of July 1943, were $115,000,000 for the Netherlands and $74,000,000 for the Indies. Total Netherlands foreign assets, both public and private, are estimated at approximately $1,750,000,000 and those of the Netherlands East Indies at approximately $425,000,000. The size of these balances indicates that the Netherlands can largely finance its reconstruction through their use and through recourse to private loans in the usual manner. A loan, entirely secured by gold, has recently been negotiated for $100,000,000 with New York bankers, and credits have been arranged in Sweden and Switzerland. The terms of the Johnson Act do not apply to the Netherlands, therefore both private lending agencies and the Export-Import Bank are possible sources of additional credits.

Nevertheless, in the event of extensive further destruction, it is possible that the Netherlands will need a substantial loan from the U.S. or from financial credit institutions such as the Monetary Fund or the International Bank for Reconstruction and Development, if they be established. Again, if destruction in the Netherlands East Indies is extensive, the combined assets of the Netherlands Government and those of the Indies would probably be insufficient for reconstruction and rehabilitation purposes.

Although the Netherlands habitually, in pre-war years, imported more goods than were exported, its foreign exchange position was strong. Shipping, interest and dividends usually provided a surplus of 200 million guilders, but the assets
which created this surplus have been seriously affected by
the developments of the war. The shipping position of the
country has deteriorated greatly; the Indies and thus many
income producing properties are still in enemy hands; economic
activity within the Indies will inevitably be at a low ebb for
a considerable period after liberation; and the large German
trade for which the Netherlands was an intermediary will be
heavily cut. It will inevitably be some time before the in-
visible items in the balance of payments will again become a
large contributing factor in financing required imports.

Finally, there should also be mentioned the country's
envisage record of payments, the lack of a foreign debt, the
extensive natural resources of the Netherlands East Indies,
and the thrift and enterprise of the Dutch people. With the
restoration of the Colonies and of shipping there is every rea-
son to believe that the same qualities which have characterized
the Dutch people in the past will enable them to rehabilitate
their economy and carry on successfully in the future.

RECOMMENDATIONS
1. The primary needs of the Netherlands are for foodstuffs,
cluding equipment, transport supplies, port equipment, and
coal mining supplies. As high priorities as possible in the
light of other demands should be accorded to these requirements.

2. The Netherlands Government should be encouraged and assist-
ted to build up at least minimum stockpiles of the commodities
contained in the National Import Program in order to enable the
government to supplement military civil affairs imports and to
take advantage of any V-E day shipping bulge. Presently avail-
able port and port clearance capacity should not be used as a
restrictive yardstick to hold down such stockpiling.
3. During the period in which military authorities control ports, inland transport, and other economic facilities all assistance consistent with the military effort should be given to the end that the National Import Program will not be restricted through the lack of facilities for the import, transport, and distribution of goods.

4. Although it is obvious that the Netherlands Government will be in grave need of military assistance during the first months after liberation, a decision should be reached as soon as possible establishing the earliest feasible date on which military responsibility for civilian supplies in the Netherlands may terminate, and this decision should be communicated to the Netherlands Government as quickly as possible in order to permit advance planning.

Prepared by the Rosenman Mission
NORWAY

Prepared by the Rosenman Mission
London, England, April 15, 1945
II. The Problem

II. Economic Position

Wood
Coal
Oil
Clothing
Public Utilities
Coastal Water Transport
Road Transport
Merchant Fleet

III. The Immediate Needs

Relief Needs
Coal and Oil
Transport
Industry
Housing
Shipping
Supply Considerations

IV. Requirements and Financial Assistance for Reconstruction

Recommendations
Since only the Province of Finnmark in the extreme north has been liberated up to this time, it was not possible for me to visit Norway and I can, therefore, present no first hand impressions of the conditions which exist there. The information which I am presenting here, is derived from a number of conversations with members of the Norwegian Government in Exile, SHAPE and the SHAEF Mission to Norway, and documents submitted to me by these sources.

Until liberation is completed and full information is available on the actual conditions which exist, it is obvious that no final estimate of the needs of the country can be made. Enough information is, however, available to indicate the nature of the problem, and the scorched earth conditions left behind in Finnmark by the Germans present a warning that very large difficulties may lie ahead. Up to now there appears to have been no great destruction in the still occupied bulk of Norway, although the total shutting off of Norway's access to world commerce, on which the country is so heavily dependent, has meant the depletion and deterioration of all available resources and, particularly in recent months, has meant a sharp cutting down of food and other supplies.

Lacking in domestic supplies of petroleum and coal and being almost wholly dependent on imports of textiles, hides and skins and largely dependent on imports of foodstuffs, Norway's access to world supplies must be opened up as speedily as possible. The precise urgency
and extent of this need will depend on how thoroughly the
Germans will be found to have stripped the country, but
without imports of a wide variety of basic commodities Nor-
way's life is impossible.

If imports are available in adequate quantity,
and if internal transport is maintained or restored, Norway
can make a significant contribution to world stocks of fish,
pulp and paper - all products which are vitally needed by
other liberated areas. The total quantity of the imports
which Norway requires is not large in the aggregate since
the total prewar population of the country was only 3,000,000
but the failure to secure these imports will make rehabilita-
tion impossible as well as deprive the world of Norway's
potential exports.

II. ECONOMIC POSITION

The geographical location, topography and climate
of the country have forced upon Norway the necessity to
import more commodities per head than any country in the
world other than New Zealand. In peace time the imports
amounted to about 2½ tons for every Norwegian man, woman and
child, or a total of nearly 7,000,000 tons a year. Only 3%
of the land area can be farmed. It is, therefore, necessary
to import all sugar and large amounts of grain in addition to
hundreds of other commodities such as spices, oils, fruits,
fibers, metals, rubber and an impressive list of almost all
types of manufactured articles. Norway has no coal deposits
which are presently operative, and over 3,000,000 tons of
coal and coke are normally received from abroad annually for
household, transport and industrial purposes.

Norway has customarily paid for these imports in
three ways: 1) by exporting raw or semi-manufactured goods,
especially fish, pulp, paper and some minerals; 2) by
processing imported raw materials, such as bauxite, manganese and nickel, utilising its abundant supplies of hydro-electric power for this purpose; and 3) by providing other countries with the transport services of its large merchant fleet.

Food: while some grains are produced in Norway it has always been necessary to import approximately 350,000 tons of grains a year. The only other local food crop of any importance is potatoes. Fish is Norway's only food export and about 700,000 tons per year were exported in the prewar period. During the German occupation the catch of fish fell from 1,000,000 tons a year to about 700,000 tons, and of that amount 500,000 tons were shipped to Germany and German occupied territories. In return for this export of fish, the Germans provided the other food products necessary to maintain a minimum diet in Norway. These German supplies ranged in quantity between 300,000 and 500,000 tons a year, enabling the general maintenance of a ration of approximately 2,200 calories per day per person with extra rations for those engaged in heavy industry. At this level, the Norwegian Government believes that the standard of life has deteriorated gradually and has now reached a critical stage for the health and nutrition status of much of the population. Since the autumn of 1944, importations into Norway have been markedly cut down as the Germans were increasingly hard pressed, and it is now believed that no provision is being made for any food imports. On liberation a more desperate need for food will be found than at any time since 1940.

Coal: During prewar years it was necessary to import, primarily from the U.K., 3,000,000 tons of coal annually. At one time the Spitsbergen mines produced about 10% of...
this total, but these mines were destroyed during the war and it will take several years to bring them back into production. During the occupation, the Germans have provided about 2,000,000 tons of coal per year, but this import, like that of foodstuffs, has fallen drastically in recent months, and current military intelligence confirms the probability that the country will be found stripped of all coal stocks.

POL: All of the POL with a prewar consumption of 233,000 tons, must be imported into Norway. The important users of POL are the fishing fleet of approximately 80,000 boats, road transport, agriculture, bakeries, domestic lighting (kerosene) and space heating. The Germans, despite their own fuel difficulties, recognized the need for imports and provided sufficient amounts, estimated at approximately 175,000 tons, to keep the fishing fleet in action and all war industries at maximum production. POL for fishing was carefully handled and turned over to the fishing boats in small amounts with additional amounts being furnished in exchange for a specified amount of fish. In this way the Germans kept the fish production at a reasonably high level, and also made sure that boats did not secure enough fuel to escape across the North Sea.

CLOTHING: Because of the climatic conditions of the country, the normal clothing needs of Norway have greater significance than is the case in the other countries of Northwest Europe. Another fact which makes warm, heavy clothing necessary in Norway is that a large part of the population is engaged in outdoor occupations, such as fishing, shipping and forestry. The Norwegian Government constantly stresses the deterioration which has taken place in the textile situation, most of the yarns and yard goods having been imported

SECRET

- 4 -

SECRET
prior to the war. Clothing shortages are known to be very
severe and a similar deficiency is believed to exist with
even greater urgency in the case of shoes.

PUBLIC UTILITIES: The hydro-electric development of Norway
is extensive and of great importance to several of their rain
productive industries, such as aluminum and ferro-alloys.
It is also used for lighting, but only in minor instances does
it replace coal and PCB in transport or heating. Up to the
present, there has been no reported destruction of the hydro-
electric installations. There are some 15 gas works in
Norway, all of which use coal. One at Trondheim is known
to have been destroyed by recent allied bombing. Other gas
works are believed to be in good shape but many of them have
closed down due to the lack of coal. Water-works, telephone
and telegraph services, thermal electric plants and trans-
mission lines are all presently undamaged, except in the
ruined areas of Sirmark.

COASTAL and RAIL TRANSPORT: Owing to the structure of the
country, Norway has always been primarily dependent on water
transportation to meet its internal transport needs, with road
and rail following in that order. About 500 coasters, vary-
ing in size from 100 to 1,000 gross tons, were in operation
prior to the German invasion, but it is estimated that perhaps
50% of them have since been destroyed. A second class of
local shipping was made up of what might be termed coastal
tramp vessels, of smaller gross tonnage, carrying such special
bulk cargo as bricks, cement, timber and iron. It is
obviously of the first importance to Norway that coastal trans-
port vessels be available on liberation. Without them it will
not be possible to meet even immediate relief needs and much
less to begin the work of rehabilitation.
SECRET

ROAD TRANSPORT: The main roads of Norway are believed to be in reasonably good shape, but the secondary roads have been neglected and are reported to be in very bad condition. The truck population, as in all German occupied areas, is believed to have decreased steadily and the equipment remaining is in unsatisfactory working condition. A shortage of tires is known to exist. If the Germans carry out the reported plan of destruction of the remaining trucks and passenger cars the country would be left bare of road transportation. Railroads are reported to be in relatively good shape, although there has been some decrease in passenger equipment. Some new locomotives have even been received from Germany, but in general the condition of the railroad rolling stock has declined because of poor maintenance and insufficient lubricants. Of late, as the pace of sabotage has increased, the railroads have deteriorated at an increasing rate.

MERCHANT FLEET: Norway's merchant fleet was the second largest in Europe and, shortly before the outbreak of the war, it rivaled Japan for third place in the world. It has a total tonnage of about 7,000,000 gross tons, with approximately 2,000,000 tons in tankers and 5,000,000 in dry cargo ships. It is estimated that only about 10% of the prewar fleet was engaged in Norwegian coastal trade and a further 20% in trade between Norway and the rest of the world. The remaining 70% consisted of ships employed as liners and tramps exclusively in waters outside Norway. The fleet employed some 50,000 men. At the time of the German occupation most of the Norwegian merchant ships were able to comply with the orders of the Norwegian government to make for Allied ports. The Germans succeeded, however, in obtaining the services of about 1,000 vessels of 100 tons and over, of which 26 were tankers.
the war, 50% of Norway's fleet has been lost in the services of the Allied war effort, bringing men, munitions and supplies into war zones.

III. THE POSTWAR YEARS

Harassed by uncertainty as to the date of liberation and the conditions which will be found thereafter, and deeply aware of the need for immediate and extensive imports, members of the Norwegian government have vigorously expressed to me their perplexity and dissatisfaction with existing procedures and programs in Washington. They complain of the fact that they have had to deal with a variety of different agencies and frequently have drawn up elaborate supply programs on some plan, apparently authoritatively laid out to them, and have then had to discard their work and start over again on the basis of new instructions.

The difficulties which they have encountered in arranging for the provision of supplies needed for the completely devastated area of Finnmark have worried them very seriously as a possible foretaste of what may be coming for the rest of Norway once it is liberated. The liberation of Finnmark by USSR Armed Forces upset all existing plans, which had been
made on the assumption that all of Norway would be within
the SHAFF sphere. As an emergency measure, SHAFF released
3,000 tons of relief supplies, even though it was later
ruled that this was an area outside SHAFF control, due to
the Soviet military operations there. After many procedural
complications, the Norwegian Government succeeded in pro-
curing 2,200 tons of supplies from civilian sources. The
5,000 tons of supplies thus procured were sent to Finnmark
through the winter months and are calculated to be adequate
to meet the needs of the 40,000 people in the area for 4
months. The requirements for the next six months, approxi-
mately 10,000 tons, are now being procured by the Norwegian
Government through civilian channels, but only after pro-
tracted and complicated negotiation with the military and
civilian supply authorities.

The Norwegian Government holds strongly to the
view that the civilian supplies to be provided through
military channels for the rest of Norway after liberation
are completely inadequate, and has been very much disturbed
by its failure to secure from SHAFF firm commitments as to
the quantity of supplies to be sent to Norway under the
military civil affairs program. Recently revised estimated
requirements for Norway, prepared by SHAFF on the basis of
preventing disease and unrest prejudicial to military opera-
tions, amount to 759,250 net long tons for six months, in-
cluding coal for the first three months only at the rate of
126,000 tons a month. To date SHAFF has physically stock-
piled for Norway supplies totalling about 92,000 net long
tons for the first three months' requirements exclusive of
ccoal. It is anticipated that the military authorities will
take action to meet the requirements for the succeeding three
months, unless there is a prior decision to terminate the
SECRET

period of military responsibility. On the basis of currently available information as to the conditions which will probably exist in Norway after liberation, it is generally assumed that the period of military responsibility can, and should be, brief and essentially transitional in character. The Norwegian authorities point out that even these supplies will only be available to the extent to which the part of Norway concerned is under the operational control of SHAPE.

The creation of the Norwegian Four Party Supply Committee three months ago has somewhat eased the situation and has given the Norwegian Government a clear focal point for the elaboration of its programs and for the discussion of its supply and shipping problems. As in the other liberated countries of Northwestern Europe, this Committee is providing a highly useful clearance point for all planning being done by the Norwegian Government, the U. S. and U. K. civilian agencies, and SHAPE. The Committee has recently completed the review of a master import program for Norway which proposes the importation of 3,000,000 tons of supplies for the first six months period after liberation. The importation of the supplies called for by this program will be the responsibility of the Norwegian Government, except for the relatively small proportion of them included in the military civil affairs program.

During the past five years of German occupation, the Norwegian economy has had to be built up around Germany and German occupied countries. The exchange of goods, previously world wide, has been restricted to the Reich and its satellites, and the normal shipping was replaced by German controlled shipping on a very short haul across the Skagerrak. The distortion and starvation of the Norwegian economy which has resulted can only be rectified by the immediate import of emergency supplies and
the reopening of world markets to Norway.

**LEGAL NEEDS:** In view of the increasingly meagre supplies which have been received from Germany in recent months, liberation will unquestionably find serious shortages of virtually all kinds of consumer goods in Norway. Food, clothing, soap, medical and sanitary supplies must have top priority to meet the immediate needs of the people. The master import program compiled on a six months basis, proposed the import of 371,296 metric tons of food, 63,180 tons of fats and oils, 15,663 tons of textiles and clothing and 6,716 of hides, skins and leather footwear. In the agricultural sphere, the program calls for the import of 100,800 tons of animal feeds, 209,600 tons of fertilizers, and 10,000 tons of agricultural machinery.

**COAL AND POL:** The total dependence of Norway on coal and POL imports makes it essential that as large a proportion as possible of the requirements for these commodities stated in the master import program be met. Without fuels and lubricants, land and water transport will in the main be unable to move, public utilities will be crippled, and the reactivation of industry seriously delayed. The program calls for the importation of 1,310,000 tons of coal and coke over the six months period, as against estimated military civil affairs requirements of 1,200,000 tons a month for the first three months after liberation. It is obvious in view of the grave European coal shortage that it will be exceedingly difficult, if not impossible, to meet the coal requirements beyond those contained in the military program.

**TRANSPORT:** In Norway as in other liberated countries the restoration of the transport system is of the first order of importance both for the purpose of meeting immediate relief requirements and for the initiation of rehabilitation. Too
little information is available at the present time as to
the conditions existing in the Norwegian transport system
to make possible an accurate estimate of its needs.

INDUSTRY: Failure to rehabilitate such enterprises as the
Norwegian chemical, timber, metal and electro-metallurgical
industries will deprive the Allies of materials that will
be needed to restore the economy of Europe, and will also
mean the prolongation of the period during which it is
necessary to import relief supplies. The master import pro-
gram proposes the importation of nearly 400,000 tons of
chemicals and 250,000 tons of iron and steel. It is clear
that there will also be a need for many repair and maintenance
parts as well as raw materials.

FISHING: Norway’s fishing fleet must play a crucial role,
not only in relation to restoration of Norway’s economic
life but particularly in assisting to meet Europe’s food
deficit. The ability of the Norwegians to maintain fish
exports at a level of 500,000 tons per annum during the German
occupation provides evidence to support their claim, that,
adequately fueled and equipped they could raise this figure
to over 750,000 tons. Such a yield in the form of fish,
oil or fishmeal would go far toward meeting a substantial
part of the minimum protein diet of the Northwestern European
nations. A suitable supply of fishing gear is necessary to
meet such goals, but it is expected that some usable gear
will be found.

During the entire period of occupation the Norwegian
fisheries have only received new gear roughly equivalent to one
year’s requirements. Thus, the peacetime equipment standard can
be assured to be reduced by over three years of normal renewal.
The number of vessels which are reported to have been confiscated
from the fishermen is not large; it is stated that of 12,200
docked motor vessels and 206 steam fishing vessels, the Germans
have only taken about 1,000 and 250 have succeeded in fleeing
to England. The number of open motor boats, 15,000, is reported
to be the same today as before the war.

It has been estimated by experts that for every ton
of fishing gear supplied during the next year, a return of more
than 200 tons of fish can be expected. There is
probably no more effective expenditure of materials than in
fishing supplies, and in view of their critical shortage,
immediate steps should be taken to expand both American, British
and European production.

Shipping: Although shortage of shipping does not appear at the
moment to be a significant limiting factor in relation to the
furnishing of supplies to European liberated areas, the Norwegians
hope that it will not be necessary to withhold necessary supplies
from Norway at any time because of lack of shipping space. The
Norwegian Government is keenly aware of its wartime shipping
assistance to the Allies - assistance which has cost the country
half of its merchant fleet. Members of the Government have
pressed upon me strongly their conviction that, since only a
minor part of the Norwegian merchant fleet now serving the Allied
cause would be needed to bring in the most urgently needed supplies,
the Norwegian people would not be able to understand or to accept
the argument that lack of shipping should prevent them from getting
the minimum supplies needed after liberation.

Supply Considerations: Sweden is a natural source of supply
for Norway on both geographical and political grounds. An
agreement has been entered into with the Swedish Government for
the purpose of obtaining urgently needed supplies after the
liberation. The Norwegian Government does not seem disposed
SECRET

to place great reliance, however, on Swedish sources, and discounts greatly the part that such supplies may play in its plans, but it is too early to determine whether or not these doubts are justified.

Although appreciable quantities of foods in free supply in the import program have been stockpiled by the Norwegian Government in various parts of the world, the Norwegians have been handicapped in procuring certain items in short supply because of the reluctance of the United States supply authorities to make provision for their needs prior to actual liberation. Provision should now be made for at least a minimum stockpile of short supply items. This would provide the Norwegian Government with the stocks necessary to meet its responsibilities at the end of the period of military responsibility, which period is expected to be of short duration.

IV. REQUIREMENTS AND FINANCIAL ASSISTANCE FOR RECONSTRUCTION

The foregoing sections have dealt with basic considerations concerning the Norwegian economy and with supply requirements after liberation. I now turn briefly to requirements for reconstruction in terms of possible financial assistance from the U.S. The magnitude of the problem cannot be fully determined as Norway is still largely occupied. Information now available would lead to the conclusion that destruction to date has not been excessive. Highly vulnerable installations such as Norway's numerous hydro-electric plants and concentrated manufacturing facilities have not as yet been damaged. However, Norwegian officials are apprehensive that the Germans in retreat will leave a wake of devastation behind them.

No attempt has been made to estimate costs of re-
construction based on varying assumptions as to possible damage. An attempt was made, however, during the summer of 1944 by the Norwegian Shipping and Trade Mission to determine the cost of reconstruction and rehabilitation, and the requirements from abroad necessary to attain these objectives on the basis of known conditions at that time. The report, under date of October 31, 1944, indicated that the net reduction of capital assets other than shipping tonnage during the first 4 years of occupation was 3.7 billion kronor based on 1938 values. This, in terms of dollars at the average exchange rate in 1938, would be equivalent to approximately $900,000,000. It was estimated that foreign exchange requirements for (1) the replacement of these capital assets, (2) 2.75 million gross rated tons of shipping—the tonnage necessary to bring the merchant fleet to its prewar level, and (3) estimated deficits on current account during the first 10 months after liberation would total £228.9 million, based on a U.K. price index of 150 using 1938 as a base. At the current exchange rate this would be the equivalent of approximately $925,000,000.

The seriousness of the Norwegian financial situation in view of these probable demands for foreign exchange, even though potential destruction is not included, is evidenced by the fact that as of October 31, 1944, foreign exchange assets of the Norwegian Treasury and government institutions totaled only £114.6 million or about $460,000,000. Norway's monetary gold stock of $54,400,000 was not included in the above total. In this connection it should be noted that Norway has a substantial foreign debt—one of £73 million as of January 1, 1939, or the equivalent of slightly less than $295,000,000 at the current rate of exchange.

A significant factor in Norway's financial position is that the greater share of her current assets arise from insurance recoveries for lost shipping tonnage. Insurance was
held with British concerns and therefore these recoveries are in sterling. At the time of the report they amounted to £ 61.7 million or $247,000,000 and represented over 80% of all Norway's sterling assets. Almost 70% of total foreign assets is in sterling and, therefore, not readily usable under present conditions. Norway particularly needs dollars and Swedish crowns. There are a large variety of products of which the U.S. is the only likely source of supply. Swedish crowns are needed for the purchase of ships, and in fact, a large proportion of the capacity of Swedish shipyards is now being used to rebuild the Norwegian merchant marine.

Even a cursory analysis of Norway's international financial position leads to the conclusion that financial assistance will be required from the U.S. and Sweden, and from the Monetary Fund and the International Bank for Reconstruction and Development, should they be established. Credits have already been arranged with Sweden to the extent of 315 million Swedish crowns or the equivalent of approximately $75,000,000. A small credit, one of $16,000,000, has been negotiated with a New York banking group. Furthermore, Norway has a $10,000,000 unused credit with the Export-Import Bank. Fortunately Norway is not prohibited by the Johnson Act from using private sources of credit in the United States.
SECRET

RECOMMENDATIONS.

1. The primary needs of Norway are for food, clothing, coal and POL. As high priorities as possible in the light of other demands should be accorded to these requirements.

2. In order to make possible the utilization of the Norwegian fishing industry, which may be a major source of protein food for Europe, the Norwegian Government should receive special assistance in its efforts to obtain sufficient quantities of necessary fishing gear. Due to the shortage of U. S. and U. K. production facilities, this will require a planned expansion of these facilities, which should be undertaken immediately.

3. The Norwegian Government should be encouraged and assisted to build up at least minimum stockpiles of the commodities contained in the national import program in order to enable the Government to supplement military civil affairs imports and take advantage of any post V-E day shipping supply.

4. Norway will require substantial credits either from private sources or public lending agencies in the U. S., or from the Monetary Fund and the International Bank for Reconstruction and Development, if these institutions are established.

Prepared by Rosenman Mission
London, England, April 15, 1945
INDEX

Section I. The problem
Section II. The Structure of Danish Economy
Section III. Situation during German Occupation
Section IV. Danish Potential as an Exporter of Food
Section V. Economic Situation in Denmark to be Expected Upon Liberation
Section VI. Conclusions
Section VII. Recommendations
SECRET

DENMARK

SECURITY: The Problem.

As Denmark is still occupied by the enemy it was not possible for me to make an examination on the ground from which I could draw first hand conclusions as to the situation which prevails there. Of necessity, the information which I was able to obtain was limited to that provided through military channels, by SPAFF and the SHAEF Mission to Denmark, and through civilian channels by the group of Danish patriots who are assembled in London.

The situation in Denmark varies in several important particulars from that which prevails in the other countries of Northwest Europe. In the balance of Northwest Europe there are food deficits which must be met by imports. Denmark, on the other hand, is a producer of food surpluses. These surpluses fall particularly in the categories of fats and proteins, which are in world short supply and with respect to which serious deficits exist in the balance of Europe. Therefore, one of the principal problems presented by Denmark is how her food surpluses can be collected and made available for distribution in the deficit areas of Northwest Europe, rather than how food imports can be provided to her.

In most of the other countries of Europe there are deposits of certain basic raw materials. Denmark has no such deposits; in fact, Denmark has no natural resources except her agriculture. Her industry is dependent entirely, both for power and raw materials, upon imports. The most essential items are coal and petroleum.

Whereas, in the other countries of Europe, a serious problem is presented as the result of destruction from military
SECRET

operations, the destruction in Denmark at this present time is practically nil. Of course, no one can actually forecast the amount of destruction, if any, which will result upon German withdrawal.

To summarize, the Danish problem is two-fold — (1) to obtain the minimum of imports of coal, petroleum and raw materials necessary to sustain her industry and (2) to furnish the necessary support to her agricultural production and her internal and coastal transportation systems to permit both the maintenance of the food level in Denmark and the withdrawal of her surpluses of foods which are in critical world short supply.

SECTION II. The Structure of Danish Economy

The Danish economy is very highly organized and closely knit. Contrary to popular conception, Denmark today is not predominantly a producer of agricultural products. By 1949, the number of persons supported by industry in Denmark had increased to the point where it exceeded the number of persons supported by agriculture.

The Danish people are very highly organized through a system of trade associations and Cooperatives. Ninety-five percent of the farmers belong to one or more cooperatives; over 90 percent of the workers are unionized; 95 percent of the dairies are owned by cooperatives; almost every businessman belongs to the trade association of his business. These organizations enjoy a quasi-official status under the Danish system of government. Parliament officially consults certain of the associations and frequently follows their advice in the enactment of legislation.

As a result of this high degree of organization, Denmark has been able within the last sixty years twice to change quite completely the character of her economy. In the latter part of the 19th century, the Danes consciously converted their economy from a...
predominantly cereal-growing economy to a predominantly dairying economy. Within the last few years, in order to better balance her internal economy and make it more self-sufficient, Denmark has consciously industrialised and increased the buying capacity of her non-agricultural population. As Denmark has no indigenous raw materials for industrial use, she began a program under which she used her food exports to buy first, semi-finished materials and later, raw materials which she fabricated in her own constantly growing industrial plant.

As a result of this planning, immediately before the war Denmark had produced a highly integrated and well-balanced economy in which a slight majority of her working population was in industry. Imports approximately balanced exports; agriculture was approximately balanced by industry; production of consumer goods was approximately balanced by heavy manufacturing. Consequently, the Danish people had achieved a very high standard of living quite evenly spread throughout the population. Pre-war Denmark had very few rich, practically no destitute and a great middle class living on a high scale and highly organized and aggressive in its political and social planning.

The significant fact which must be borne in mind constantly in considering Denmark's problem is that the Danish economy with the exception of agriculture is dependent entirely on imports.

SECTION III. Situation During German Occupation.

Denmark's peace-time imports aggregated approximately 11,000,000 tons per annum. German imports during the period of occupation were at the rate of approximately 4,000,000 tons per annum. However, the German imports were well balanced and included such items as coal, timber, iron and steel, fertilisers, tools, rubber, chemicals, petroleum products and textiles. In other words, although German imports were less in the aggregate than Denmark's
normal imports, they were so balanced as to prevent collapse in any significant area of the Danish economy.

As the German military situation has become more acute, Denmark has suffered a double impact on her economy. German withdrawals of surplus food items have been effected concurrently with sharp reductions in the level of German imports. The most critical items of import are coal and petroleum, which are absolutely essential for the maintenance of Danish transport. It is estimated that by July 1, 1945, Danish reserves of coal and petroleum will be practically exhausted. This would result in a complete paralysis of her water, rail and highway borne transportation.

A further complicating factor has been the increasing number of displaced persons and refugees who have made their way from Germany, where food shortages have been increasing, to Denmark, where food has been plentiful. The SISW mission to Denmark, in the latter part of March 1945, estimated that more than 40,000 of such persons had already moved into Denmark. It was further stated by the same source that the Germans had notified the Danes to expect an additional 240,000 to 370,000 of such persons. These persons are arriving in Denmark hungry, lousy and without proper clothing, medicines, or sanitary facilities. When it is remembered that the normal population of Denmark is slightly less than 4,000,000, the significance of this displaced person problem in Denmark is evident.

SECTION IV. Danish Potential as an Exporter of Food.

Before discussing the needs of Denmark it is appropriate to examine the extent to which meeting those needs not only will assist Denmark but will also provide assistance to the food hungry countries of Northeast Europe from Danish agricultural surpluses. The SISW mission to Denmark has made a careful examination of Denmark's food export potential for the six months after liberation,
taking into account the general agricultural situation and giving
consideration to the amount of exports which have been obtained
from Denmark by the Germans. As a result of this examination, the
following are estimated to be available for export in the first six
months after liberation:

<table>
<thead>
<tr>
<th>NET AGRI. TONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter</td>
</tr>
<tr>
<td>Cheese</td>
</tr>
<tr>
<td>Eggs</td>
</tr>
<tr>
<td>Bacon &amp; Pork</td>
</tr>
</tbody>
</table>

**TOTAL: 165,960**

The foregoing amounts are not large in comparison with
pre-war exports, being approximately one-half of normal export
capacity within the categories listed. However, in the light of
the critical shortages in these categories in the diets available
in Belgium, Holland and France and the world supply shortage in
these categories, their availability in Denmark becomes significant.

The export of these supplies from Denmark, however, re-
quires substantial imports (a) for the actual production, processing,
and transportation of the foodstuffs and (b) for the maintenance of
essential public and private services without which the highly
integrated Danish economy would be unable to operate on a sufficiently
normal basis to provide for food production, processing and trans-
portation.

The SHAEF Mission to Denmark estimates that the aggregate
amount of imports necessary to accomplish the export of the indicated
foodstuffs in the first six months after liberation is approximately
1,600,000 tons, which compares with German imports at the rate of
2,000,000 tons on a six months basis, and the Danish Government
program of minimum essential imports of 3,185,000 tons on a six months
basis.

- 5 -
The following comparison was submitted to me by the SHAIF mission to Denmark as being indicative of the direct and indirect relationship between the suggested imports of 1,600,000 tons and the food exports estimated as being available:

PROPOSED SUPPLY PROGRAM AND ITS DIRECT OR INDIRECT RELATION TO THE DANISH FOOD EXPORT PROGRAM

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Direct Supply</th>
<th>Indirect Supply</th>
<th>Total Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>3,400</td>
<td>600,000</td>
<td>1,602,000</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>33,700</td>
<td>25,000</td>
<td>66,000</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>298,000</td>
<td></td>
<td>298,000</td>
</tr>
<tr>
<td>Salt</td>
<td>20,000</td>
<td></td>
<td>20,000</td>
</tr>
<tr>
<td>Agricultural Supplies</td>
<td>11,771</td>
<td></td>
<td>11,771</td>
</tr>
<tr>
<td>Road Transport Supplies</td>
<td>2,000</td>
<td>613</td>
<td>2,613</td>
</tr>
<tr>
<td>Industrial First Aid</td>
<td>1,500</td>
<td>500</td>
<td>2,513</td>
</tr>
<tr>
<td>All other</td>
<td>650,200</td>
<td>538,113</td>
<td>1,622,343</td>
</tr>
</tbody>
</table>

* Believed accurate
* Necessarily somewhat arbitrary

Supplies for fishing now being calculated - not included

SECTION V. Economic Situation in Denmark to be Expected Upon Liberation.

As I have previously indicated, I was unable to form a judgment as to conditions in Denmark based upon my own examination.

The following general analysis of the conditions to be expected was furnished to me by the SHAIF mission to Denmark. It was stated to be the most optimistic situation which could be reasonably anticipated. This general analysis contains approximately the same information which I was able to obtain through strictly Danish sources:

a. Railways, if operating at all, will have limited their goods traffic to smaller quantities of limited and most, and food to the largest cities. Unable to operate on indigenous fuels, the railways must be supplied with coal if they are to run; they also require lubricants. July 1 is the estimated date on which Danish reserves of coal will expire.
even under present curtailed operations and without further
German demands.

b. Coastal Shipping will be in a condition comparable
to the railways; diesel-driven ships will be unable to run
for lack of oil.
c. Road Transport, which now involves about 18,000 trucks,
is breaking down for lack of lubricants and probably will be
stopped. Tires and batteries are almost as critically short
as lubricants. All trucks are operating on producer-gas units
using woodgas or peat; so gasoline is not the major problem.
d. Public Safety Vehicles (and Public Utility service
vehicles) will be laid up for lack of gasoline.
e. Factories and Food-Processing Plants, which have
converted to limeite or peat, will operate if the rail-sys
are operating and if lubricants are available.
f. Electricity Production, already severely rationed, will
depend upon sufficient coal as an admixture with the peat and
lignite which forms some 80 percent of fuel consumption.
Lubricants will also be required.
g. Gas Works, upon which the bulk of the population depends
for cooking heat are completely dependent upon imported hard
fuel.
h. Food Production will be in a questionable state, due to
lack of transport and inability of processing plants to operate.
Failure to slaughter live-stock, if no market exists, will place
a strain upon the food position; eggs and milk will be in con-
siderable surplus and will be spoiling.
i. Fishing will be almost stopped for lack of petroleum
products.
j. Copenhagen will be short of food, but not starving.
k. Displaced Persons, to the number of 250,000 to 500,000
will be present. Large numbers from Northern Germany may enter
- 7 -
SECRET.

Jutland. Because there is no Danish Army and the police have been removed to Germany, these people may get out of control.

1. Unemployment will begin to offer a serious problem.

SECTION VI. Conclusions.

Denmark is in a more favorable situation than her European neighbors in that she can produce all of the food she needs and can probably accomplish its internal distribution. However, if Denmark is to be utilized as a supplier of food to deficit areas in northwest Europe, the essential imports indicated must be accomplished. It is further true that, unless the minimum essential imports, primarily of coal and petroleum products, can be effected with reasonable promptness after liberation, Denmark's industrial economy will collapse; and, instead of being a stabilizing influence in the European economy, Denmark will become an area where unemployment and discontent prevail. The fact that Denmark received preferential treatment in the form of German imports during the period of occupation will aggravate this latter situation.

SECTION VII. Recommendation.

I recommend that, in evaluating Denmark's requirements for import, her needs for coal and petroleum products be given top priority.


SECRET.
FOOD

Prepared by Rosenman Mission

SECRET
SUMMARY AND CONCLUSIONS

A. FRANCE

1. Under German Occupation
2. The Situation after Liberation
   (a) The 1944 Harvest and Its Utilization
   (b) Deficient Areas
3. Civil Affairs Imports
4. Rations and Consumption Level
5. The Current Crop Year
   (a) Wheat Grain
   (b) Potatoes
   (c) Sugar
   (d) Meat
   (e) Dairy Products
6. Agricultural Supplies
7. Fishing

B. BELGIUM

1. The German Occupation
2. The Situation after Liberation
   (a) 1944 Harvest
   (b) Livestock
3. Civil Affairs Imports
4. Rations and Consumption Level
5. The Current Crop Year
6. Agricultural Supplies
7. Fishing

C. LUXEMBOURG

1. Under German Occupation
2. The Situation after Liberation
3. Civil Affairs Imports
4. Rations and Consumption Level
5. Agricultural Supplies

D. THE NETHERLANDS

1. The German Occupation
2. The Situation in the Liberated Part of the Netherlands
3. Rations and Consumption Levels in Liberated Holland
4. The Occupied Areas
5. The Military Plans
6. Agricultural Supplies
7. Fishing

E. DENMARK

1. Under German Occupation
2. Reports Needed

SECRET
F. NORWAY
   1. The German Occupation
   2. Supply Plans for Norway

G. GERMANY

H. DISPLACED PERSONS

I. THE U.K. AS A POTENTIAL SUPPLIER OF FOOD