

to integrate western European production and investment programmes, and to make positive proposals for raising the productive efficiency of western European countries, so that as soon as possible they might achieve and maintain a satisfactory level of economic activity without extraordinary outside assistance, and make their full contribution to world economic stability.

SETTLEMENT OF WESTERN GERMANY

As discussion of the European Recovery Programme proceeded during the autumn of 1947, it became clear that a revived German economy would have an essential part in it. When the Council of Foreign Ministers failed, at London in December, to achieve four-power agreement on a settlement for the whole of Germany, it became necessary to work out certain two-power and three-power agreements to revive the economy at least of Western Germany, and to give it an effective part in the European Recovery Programme.

Thus, a reorganization of the joint economic administration of the United Kingdom and United States Zones of Germany, established last year, was determined upon at a meeting of the United Kingdom and United States Military Governors and German representatives in Frankfurt early in January. The Frankfurt Charter, as it was called, was put into effect on February 9. In the economic sphere the reform was intended to increase productive efficiency in the two Zones by admitting the Germans themselves to greater responsibilities. In the political, it provided a foundation upon which a German Government could eventually be built.

More important than these Frankfurt talks were those which opened in London on February 23 among the United Kingdom, the United States and France. They were intended to lead the way to closer economic co-operation between the three Western Zones, but they soon took on a far wider scope.

In the first place the close connection of the Benelux states was recognized, and they were invited to take part in the discussion of certain items on the agenda. It then became apparent that the economic revival of Germany raised a number of political issues, such as the future of the Ruhr, the future constitution of Germany, territorial adjustments, and the whole question of security against a revived Germany.

The London talks were discontinued during March and April, and the various issues involved were examined by the three Military Governors in Berlin. On April 20 the talks were renewed in London, and on June 2 it was announced that agreed recommendations were being submitted to the six Governments concerned for approval. These recommendations covered five topics:

(1) Association of Benelux: Specific recommendations for this were included.

(2) Role of German economy in the European economy, and control of the Ruhr: The close association of the economic life of Germany and other western European countries, it was stated, had been ensured by the inclusion of the combined United Kingdom and United States Zones, and of the French Zone, as members in the O.E.E.C. on April 16. It was recommended that an international authority be established for the control of the Ruhr. The United States, United Kingdom, France, the Benelux countries and Germany would participate in this authority, which would not involve the political separation of the Ruhr area from Germany. However, the distribution of Ruhr coal, coke and steel would be controlled, in order that on the one hand the industrial concentration in that area should not become an instrument of aggression, and on the other would be able to make its contribution to all countries participating in a European co-operative economic programme, including of course Germany itself.

(3) Evolution of the political and economic organization of Germany: It was recognized that the German people should be given the opportunity to achieve on the basis of a free and democratic form of government the eventual re-establishment of German unity. Thus they should now be free to establish for themselves the political organization which will enable them to assume those governmental responsibilities which are compatible with the minimum requirements of occupation and control, and which ultimately will enable them to assume full governmental responsibilities. It was considered that they would wish a constitution to which all the German states could subscribe as circumstances would permit. It was therefore recommended that a constituent assembly be convened to prepare a constitution for a federal form of government which would protect the rights of the respective states, provide for adequate central authority, and guarantee the rights and freedoms of the individual.

As for co-ordinating economic policies and practices in the combined United Kingdom and United States Zones on the one hand, and the French Zone on the other, agreed recommendations were reached on the joint conduct and control of the external trade of the whole area. It was recognized that a complete economic merger of the two areas cannot effectively take place until further progress had been made to establish German institutions common to the entire area.

(4) Territorial arrangements: Proposals for dealing with certain minor provisional territorial adjustments of the western frontier of Germany were prepared.

(5) Security: It was recommended that there be no general withdrawal of United Kingdom, United States, or French troops from Germany until the peace of Europe is established. Further, until the occupation of Germany ended, a Military Security Board would make sure