CHAPTER 3

France and the Monetary Crisis

THE CAPITULATION AND ITS MONETARY CONSEQUENCES

The negotiations between France and Belgium to give definitive form to the provisional monetary agreement of 14 May were resumed on 20 May. Progress was slow and difficult, especially as Great Britain had to be taken into account in the three-country agreement conceived in Paris. Communication worsened by the day, particularly cross-Channel communication, and this decided Gutt to leave for London on 23 May. He hoped for fruitful consultation there regarding the half-finished discussions in Paris over that agreement, but also wanted to take advantage of the occasion to conclude an Anglo-Belgian agreement, already hinted at during the Paris meetings.

The discussion in London went unexpectedly smoothly and on 24 May, the day after his arrival, Gutt and Kingsley Wood, Chancellor of the Exchequer, were able to sign a provisional Anglo-Belgian agreement. This was a carbon copy of the provisional Franco-Belgian agreement: the British government granted Belgium an interest-free line of credit of three million pounds sterling and the Belgian government granted Great Britain a reciprocal line of 360 million Belgian francs; the official exchange rate was to be that set in Paris, i.e. 1 pound sterling to 120 Belgian francs.

During the night of 27/28 May, the Belgian armed forces capitulated. The news was announced over the radio by the French Prime Minister, Paul Reynaud, who branded the capitulation an act of treachery on the part of the King and, in virulent language, berated both him and the Belgian armed forces, sparing neither. In a radio address following this,

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1 BNB, Archives, SD: Kauch, note sur les opérations de change, Chapter. 2, p. 3.
2 BNB, Archives, SD: Kauch, note sur les opérations de change, Chapter. 2, p. 11, footnote 28.
Pierlot, deeply stricken by the hostile attitude of his hosts, gave support to the French position, albeit adopting a somewhat more moderate tone, but nevertheless took the view that the King should be deposed. The two radio addresses, particularly Reynaud’s, unleashed a wave of anger – generally verbal – throughout France against the Belgian refugees.

On 25 May, already, the French government had issued a decree freezing all the assets of Belgian companies that had taken refuge in France, a measure whose application extended to the assets (banknotes and securities) of the Bank placed in safe custody in the branches of the Banque de France at Mont-de-Marsan, Tarbes and Toulouse. In consequence, nothing further could be withdrawn from the reserve of banknotes, a catastrophic situation for both the Bank and the Treasury.

On 28 May worse was to follow. Following the news of the Belgian capitulation, the Governor of the Banque de France, Fournier, decided unilaterally that, with effect from the next day, Belgian refugees would be permitted to exchange no more than 500 Belgian francs per person per fortnight (with a maximum of 1,000 Belgian francs per household). Likewise on 28 May, he informed Janssen that, according to available figures, the Belgian refugees had so far presented 1.2 billion Belgian francs’ worth of banknotes for exchange and in return had received an amount of 1,732.8 million French francs at the official exchange rate. The Banque de France was now demanding immediate settlement in gold and had decided to withdraw approximately 36,397 kilograms of fine gold from the Belgian gold reserves deposited in its branches at Libourne and Bordeaux.

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3 According to constitutional experts, the King had not violated the constitution, because – as Commander-in-Chief of the army – he was not obliged to request a ministerial counter-signature: Ndl.BZ, London Archives, 1940-1945, Ga G II, Belgïe, n° 2: letter of 29.05.1940 from van Harinxma thoe Slooten (Poitiers) to van Kleffens (London).

4 Velaers and Van Goethem, Leopold III, pp. 264-269.

5 BNB, Archives, Studiedienst, dossier 01.02.01.70 (A 247/6): memorandum of 28.08.1942 from Dussart to Kauch.
Janssen was seized by panic. He feared even tougher action on the part of the French in the immediate days ahead and, in this uncertain monetary situation, looked to see responsibility shared. That same day, 28 May, he sent a telegram to the Belgian embassy in London, which read, ‘For Minister Gutt – stop – confirm: your presence here, with the briefest delay, appears to be indispensable’.

Gutt returned to Paris on 29 May and negotiations began the following day, promising to be hard. There were three main points on the agenda: the currency parity, the mutual granting of credit and the disposition of the valuables, which the refugees had brought with them. It was clear from the outset that the French would be dictating the terms and would be giving little ground to the Belgians. ‘Evidently’, wrote Gutt to Theunis, ‘no more presents, no more declarations of Saint-Adresse, about war reparations’.

The French took the view that the capitulation had put Belgium in an extremely weak position: she had lost the war and was now an occupied territory; her economy was in ruins and, under the occupation, would as a matter of course no longer be able to contribute to the Allies’ war effort; lastly, the value of the Belgian franc no longer had an economic foundation and the currency was, in any case, overvalued against the French currency.

The French therefore demanded that the value of the Belgian and French francs be equalized, which meant an exchange rate of 100 (no longer 144.4) French francs to 100 Belgian, a 30.75 per cent devaluation of the Belgian currency against the French. In accordance with the provisional Franco-British-Belgian agreement of 14 May, sterling was required to be associated with this arrangement, so that there would

7 BNB, Archives, SD, 49, dossier 8.13.11/ s. f. 1: telegrams of 30.05.1940 and 01.06.1940 from Baudewyns to Ansiaux.

8 Quoted by J.-Fr. Crombois, Camille Gutt. Les finances et la guerre, 1940-1945, Brus- sels, 2000, p. 75. The reference to the declaration of Saint-Adresse refers to the French government’s promise during the peace negotiations after the First World War to support the Belgian position regarding German war reparations.

9 This point of view was shared by Janssen: BNB, Archives, SD, London Archives: note de M. Janssen sur son activité entre le 10 mai et le 9 juillet 1940, n° 17. See also: BNB, Archives, AV, 26.08.1940 (memorandum of 26.08.1940 for Governor Janssen to use in his reply to Senator Van Dieren’s interpellation at the meeting of the general assembly in August 1940).

10 BNB, Archives, SD: Kauch, note sur les opérations de change, Chapter. 2, p. 6.
also be a proportional devaluation of the Belgian franc against sterling from 120 to 176.625 Belgian francs to the pound. Conversion against these official rates would be conducted via the bodies or institutions authorized for that purpose: for France, the Fonds de Stabilisation; for Great Britain, the Exchange Equalization Fund; and for Belgium, the Bank in its capacity of State exchequer\(^\text{11}\).

**THE SEARCH FOR SCAPEGOATS**

Who, in fact, was behind this demand for devaluation? Some members of the Banque de France insinuated that it was Gutt and Janssen. The devaluation, they said, would make the French franc much more expensive for the Belgian refugees, discouraging them from buying French francs and thus contributing to limit the loss of Belgian gold. The insinuation, however, does not seem close to the truth. It is more than likely that the French imposed the adjustment of the currency parity on the Belgians and that the Belgians were unable to summon up any resistance to such an agreement. From both an ideological and a theoretical point of view, Gutt and Janssen were great champions of a stable currency and opposed as a matter of principle any form of devaluation. It is also very revealing that, immediately after the defeat of France, barely three weeks after the devaluation of 9 June, Gutt and Janssen attempted to have the devaluation declared void and, indeed, succeeded in their efforts.

As regards the provision of credit, it was agreed during the negotiations that, for the duration of the war, the respective governments would grant each other interest-free lines of credit of respectively one billion French francs and one billion Belgian francs for purchases within France or the French empire and within Belgium or the Belgian Congo. Any overrun would be offset by the transfer of Treasury bonds at 3 per cent for the amount of the overrun\(^\text{12}\). Similar conditions would apply between Great Britain and Belgium in respect of purchases within Great Britain and the British empire and within Belgium or the

\(^{11}\) See article 3 of the Franco-Belgian and the Anglo-Belgian financial agreements of 07.06.1940.

\(^{12}\) Article 4 of the Franco-Belgian financial agreement of 07.06.1940 (see below).
Belgian Congo\textsuperscript{13}. It was also agreed that the Belgian government would make a fair contribution to the financing of the war effort, whether with gold, dollars or foreign currency convertible to dollars\textsuperscript{14}.

Belgium also agreed with France that half of all Belgian government debt would be settled at the end of each month in gold, dollars or foreign currency convertible to dollars, the remaining half to be set against the agreed line of credit\textsuperscript{15}. A similar arrangement was laid down in a separate agreement in respect of the cooperation between Belgium and Great Britain and both arrangements would be reciprocal.

Additionally, article 3 of the Franco-Belgian monetary agreement carried a hidden sting by way of a clause inserted stating that the conversion of Belgian money into French by refugees fell outside the credit facility arrangement; in consequence, the Bank’s repurchases of Belgian banknotes had to be funded entirely with gold\textsuperscript{16}. In principle, there should also have been reciprocity in this matter, but the reciprocity clause was omitted from the implementing protocol signed by the two central-bank governors on 7 June 1940, with the result that the Banque de France was not later to feel itself bound by any such reciprocity\textsuperscript{17}. Lastly, the Belgian government had to accept that Belgian banks should suspend their activities on French soil\textsuperscript{18}.

When Deputy-governor Ingenbleek came to read the text of the agreements of 7 June, he was fiercely critical. In his view, the formulation of the general clause was so vague and its practical application so

\textsuperscript{13} BNB, Archives, SD, Malaise Papers, dossier 9.5.11/ s. f. 4: Kauch, rapport au Roi, 20.12.1943, p. 18.

\textsuperscript{14} Article 9 of the Franco-Belgian and the Anglo-Belgian financial agreements of 07.06.1940 (see below).

\textsuperscript{15} BNB, Archives, Boekhouding, dossier 88.02.02.00 (B 608/9): letter of 07.06.1940 from Bouthillier to Gutt.

\textsuperscript{16} The Franco-Belgian agreements of 7 June regarding the exchange of money by Belgian refugees in France and regarding Belgium’s contribution in gold, dollars and assimilated foreign currency to the war effort, insofar as settled before 25 June, were recognized as legal by the German occupiers in Brussels (Freiburg im Breisgau, Militär Archiv, Militärverwaltung, dossier RW 37/277: Hofrichter, Abschlusserichter der Militärverwaltung in Belgien und Nord-Frankreich, p. 85).

\textsuperscript{17} BNB, Archives, Boekhouding, dossier 88.02.02.00 (B 608/9): BEB, DC, 09.07.1942 (extract for manager Bastiné).

\textsuperscript{18} BNB, Archives, SD: Kauch, note sur les opérations de change, Chapter 2, p. 7.
broad that it threw open the door to downright plundering of the gold reserves by the French or British government, or even both.\(^{19}\)

In respect of the final point of the agenda, i.e. the disposition of the refugees’ valuables, Belgium was able to score a degree of success in that both France and Great Britain declared that they would make no claim on them, indicating that the valuables could eventually be confiscated by the Belgian government\(^{20}\). Gutt attempted, unsuccessfully, to have the agreement extended to include the gold reserves frozen in France and Great Britain. He also demanded the unfreezing of the Bank’s assets in the branches of the Banque de France at Tarbes, Toulouse and Mont-de-Marsan\(^{21}\), but to no immediate avail.

By 30 May, the major lines of the agreement had already become fairly clear\(^{22}\). All that had to be done immediately thereafter was to fill in the details, so that it would quickly be ready for signing. However, two unforeseen events now occurred to throw a spanner in the works. The first was the totally unexpected declaration by the Minister for the Colonies, Albert De Vleeschauwer, that he was opposed to the agreed exchange rates. He argued that the Belgian Congo was not a territory under military occupation and that, in consequence, there was no reason for discussing a weakening of the international position of the Congolese currency.\(^{23}\)

The minister had contacted representatives of the Belgian colonial companies, many of whom had fled from Brussels to Bordeaux\(^{24}\). He

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19 … On a été jusqu’à permettre au Ministre des Finances, dans une convention qu’il fit avec son collègue de France, de disposer de l’or de la Banque, sans que le Comité de Direction… eût été consulté’: KP, Archives, fonds Leopold III, 58: Ingenbleek, mon journal de guerre, pp. 30-31.

20 BNB, Archives, SD: Kauch, note sur les opérations de change, Chapter. 2, pp. 7-8, 15 and annex 17. See also: BNB, Archives, SD, Malaise Papers, dossier 95.11/ s. f. 4: Kauch, rapport au Roi, 20.12.1943, p. 14.

21 BNB, Archives, SD: Kauch, note sur les opérations de change, Chapter. 2, p. 12, footnote 30, and p. 5, footnote 16.

22 BNB, Archives, Studiedienst, dossier 01.02.01.70 (A 247/5): précisions sur les négociations économiques et financières entre la France et la Belgique émigrée, mai-juin 1940.

23 Janssens, De Belgische frank, p. 289.

24 In his war diary, Minister De Schryver speaks of the representatives and managements of ‘hundreds’ of colonial companies, all of whom had fled to Bordeaux: De Schryver, Oorlogsdagboeken, 1940-1942, p. 73.
had also consulted the representatives of the *Banque du Congo Belge*. The reaction was unanimous: no-one could agree to a devaluation of the Congolese franc. For the *Banque du Congo Belge*, a devaluation would lead to a drastic reduction in its operating funds in respect of its purchases abroad; for the colonial companies, it would mean a sudden increase in the price of the foodstuffs that needed to be imported, thereby pushing up the cost of living for the indigenous workers. Against this, of course, was the fact that a lower value for the Congolese franc would help to boost exports, but this argument carried no real weight because international demand for raw materials was certain to rise in prevailing circumstances.

After a great deal of discussion, Gutt and Spaak won over De Vleeschauwer, who promised not to break the exchange-rate parity between the Congolese and Belgian currencies. The colony was thus set to fall in line with the motherland. It was at this moment that the second event occurred to prevent the agreement being concluded, namely the change of government in France that took place on 4-5 June. This necessitated a fresh round of talks, so that it was only by the evening of 7 June that the drafting of the Franco-Belgian and the Anglo-Belgian monetary agreements could be completed.

The Franco-Belgian agreement was signed in Paris by Gutt and by the new French Minister of Finance, Yves Bouthillier. The Anglo-Belgian agreement was signed the next day, also in Paris, by Belgium’s ambassador to France, acting for the Belgian government, and by Sir Ronald Campbell, Great Britain’s ambassador to France, for the British government.

**EMOTION AND FRUSTRATION AMONG THE BELGIAN REFUGEES**

The Belgian refugees, many of whom were in any case not well off, reacted angrily to the new monetary measures (‘the turmoil was considerable’)\(^{26}\). They not only had to suffer the distress of their exile and the hostile attitude of the French since the capitulation of the

\(^{25}\) Janssens, *De Belgische frank*, p. 289.

Belgian armed forces, but were now faced for the second time with a drastic fall in the exchange rate. Complaints from people in financial difficulties poured in\(^{27}\) and everyone felt mounting disillusion with the authorities responsible. Ingenbleek, then in Mont-de-Marsan, spoke of a general consternation among Belgians, the devaluation being regarded as ‘a war tax of 44 (sic) per cent’, imposed on all refugees by the unilateral decision of government\(^ {28}\).

The government and the Bank were shocked at the enormous emotional reaction that the devaluation unleashed among the Belgians in France, and Gutt and Janssen set to work at once to undo its consequences\(^ {29}\). Their chance came after the defeat of France and the subsequent armistice arranged between France and Germany on 22 June. On 25 June, Janssen and Gutt conferred about the strategy to be pursued in order to annul the devaluation of 7 June\(^ {30}\). Both felt that there were convincing arguments for annulment. The French had posited that a devaluation of the Belgian franc was inevitable, because the German occupation of Belgium meant that the currency no longer had a sound economic and political basis. The same line of argument could now be used against France, as the French economy was in ruins. A second important line of argument was the French assumption that Belgium would for a long time remain economically and politically dependent on her if Belgian war efforts were to be continued from French territory had now likewise been overtaken by events.

The next day, 26 June, Janssen met Fournier at Bordeaux to elucidate the Belgian position, discussions being continued on 27 June by Smeers and Kauch\(^ {31}\). The reasons why the parity agreed on 7 June had to be revoked were abundantly clear. It was a question not just of personal pres-

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\(^{27}\) Numerous of these complaints can be found in: BNB, Archives, SD, ‘période de guerre’ (Mont-de-Marsan).


\(^{29}\) This can be clearly inferred from a letter of Gutt to Theunis, in which Gutt speaks of his satisfaction over the reversal of the devaluation of 7 June (ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letter of 28.08.1940 from Gutt to Theunis).

\(^{30}\) BNB, Archives, SD: Kauch, note sur les opérations de change, Chapter. 2, p. 18, footnote 41.

\(^{31}\) BNB, Archives, SD, Malaise Papers, dossier 9.5.11/ s. f. 4: Kauch, rapport au Roi, 20.12.1943, p. 20.
tige, but also of money: if the previous exchange rate of 144.4 French francs to 100 Belgian was reinstated, the Bank would have to pay out not 100, but only 69.25 Belgian francs for every 100 French francs that Belgian refugees presented for conversion on their return from France.

After major concessions from the Belgian side, the Banque de France was able to give its accord to the proposal to reinstate the previous parity\textsuperscript{32}. The agreement was signed by the respective Ministers of Finance, Bouthillier and Gutt, on 9 July as an appendix to the Franco-Belgian agreement of 7 June. By its terms, the Franco-Belgian exchange rate parity was restored to its level of 14 May, i.e. 144.4 French francs to 100 Belgian. Refugees and officials returning to Belgium were permitted to exchange French money for Belgian, provided that the exchange took place in French banks in France\textsuperscript{33} and upon the simultaneous presentation of the declaration form, either completed at the time of crossing the border into France or regularized within eight days thereafter, as agreed at the time between the governments. That form was the necessary proof that the French money had been purchased with Belgian banknotes or other foreign currency at the time of entry into France. Those unable to present such a declaration form were allowed to exchange up to a fixed maximum of 4,000 French francs per person (with a maximum of 10,000 French francs per household). A further stipulation was that no more than two thirds of the quantity of French currency presented could be converted into Belgian banknotes; the balance had to be deposited in a frozen bank account in France. Lastly, it was also agreed that the Banque de France had the right to call an

\textsuperscript{32} BNB, Archives, SD, Malaise Papers, dossier 9.5.11 / s. f. 8, échange de FF contre FB: letter of 03.07.1940 from Fournier to Janssen.

\textsuperscript{33} The re-exchange of French money in Belgium would be regarded as illegal and consequently that money would not qualify for repurchase by the Banque de France through the cession of gold (BNB, Archives, SD, Janssen Papers: letter of 30.07.1940 from Janssen to Ingenbleek). The obligation to submit an application form came up against enormous difficulties. During the first weeks of en masse flight, and in the great confusion of the moment, very few refugees thought to request an application form: in the first place, because people were not aware of the obligation and, in the second, because only the branches of the Banque de France held forms and such branches were few and far between in the border zone: BdFr, Archives, Secrétariat Général, dossier 1060.2001.01/38, ‘or belge’: letter of 13.08.1940 from A. de Brouckère (Pau) to the Banque de France (Châtelguyon).
immediate halt to the conversion. It can be seen from all this just how substantial the concessions to the French were.

The actual instructions for implementing the agreement first appeared on 21 July in the French Official Gazette, so that it was only then that a start was made in applying the new rate, with the emphasis on 'a start': practice was to show that, despite the instructions, it was applied only slowly and unevenly. France was now split into two zones: one occupied, the other unoccupied. Contacts between the two were subject to strict formalities and were consequently restricted. Moreover, the Germans were opposed to banknotes being brought over from the occupied to the unoccupied zone. On the instruction of the Banque de France, a large proportion of the Belgian banknotes exchanged by the refugees on entering France had been sent from all the various locations in France to its main branch in Bordeaux, a town later to be incorporated into the occupied zone. As those banknotes could then no longer be returned to branches in the unoccupied zone, there was now a severe shortage of Belgian banknotes for the exchange of French for Belgian money there.\(^{34}\)

The matter of re-exchanging French money was thrown into chaos by all these factors. Generally there were no Belgian banknotes available, so that many refugees simply had to take their French money home with them. In Belgium, however, the conditions for re-exchange were downright poor, with an exchange rate of 200 French francs to 100 Belgian initially being applied. It is true that the rate improved considerably to 160 French francs to 100 Belgian with effect from 24 July, but it never became really favourable.\(^{35}\)

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\(^{34}\) BNB, Archives, sd: Kauch, note sur les opérations de change, annex 76 (letter of 17.07.1940 from Rueff to Janssen).

\(^{35}\) Initially, only the Reichskreditkasse was authorized to exchange French money into Belgian, but this institution applied the Berlin Reichsmark rates for the French and Belgian currencies, i.e. 1 Reichsmark to 20 French francs and 1 Reichsmark to 10 Belgian francs, which gave a cross-rate of 200 French francs to 100 Belgian francs (the actual rate was 200 French francs to 99.80 Belgian). With effect from 24 July, the re-exchange operation was taken over by the Banque d’Emission and by the banks licensed to deal in foreign currency for account of the Banque d’Emission, which, from then on, applied a rate of 160 French francs to 100 Belgian (BNB, Archives, sd: Kauch, note sur les opérations de change, Chapter. 2, pp. 24-25).
In this final stage of exchange-rate operations, which had gradually turned into a nightmare, the refugees felt that, yet again, they had been shamelessly duped. When, on their repatriation from France, they looked to exchange their remaining French money, they found that the Belgian franc had now become much more expensive. For the third time, they were losing money on an exchange transaction between the two currencies and, for the third time, they blamed the government and the Bank. When the President of the Belgian Red Cross arrived in France to help organize the repatriation and was asked what public opinion thought about the Belgian government in France, his answer was short and sharp: ‘Messieurs, on les vomit’\textsuperscript{36}.

In part, from the point of view of the repatriated, the accusations levelled at the government and the Bank were probably justified, but the Bank, too, had suffered a considerable loss during the tragic adventure of the Belgian refugees in France. A provisional estimate drawn up on 28 June 1940 by Bastiné indicated that, for the Franco-Belgian money exchange operations of May-June alone, the Bank had had to transfer a total of about 2,308 million Belgian francs’ worth of gold to the Banque de France\textsuperscript{37}. The situation was further compounded by the fact that there would be no settlement in gold by the Banque de France when the substantial amount of French banknotes from returning refugees was presented to it by the Bank.

Adjustment of the exchange rates for sterling and the Congolese franc to the new rate between the French and Belgian francs likewise led to difficulties. The Bank of England accepted the new rate of 1 pound sterling to 120 Belgian francs, but was not at all happy with this upward valuation of the Belgian currency, regarding it as ‘a thorn in the flesh’\textsuperscript{38}.

\textsuperscript{36} Dumoulin, Spaak, p. 198.

\textsuperscript{37} Bastiné estimated that, as at 28 June, 1,732.8 million French francs had been drawn down at a rate of 144.4 French francs to 100 Belgian. The Banque de France had set aside two provisions at the same rate, the first for an amount of 300 million French francs, and the second for 100 million French francs. On 18 June, two additional provisions were set aside, one for 200 million and the other for 800 million French francs, both at a rate of 100 French francs to 100 Belgian. This brought the total to 2,932,800,000 French francs in exchange for 2,307,750,000 Belgian (BNB, Archives, SD: Kauch, note sur les opérations de change, annex 60).

\textsuperscript{38} ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letter of 17.08.1940 from Gutt to Theunis.
The adjustment of the Congolese franc simply did not take place. De Vleeschauwer speedily refused to apply the agreement of 9 July to the Congolese franc and stuck to the equalization of the French and Congolese currencies and to the rate of 1 pound sterling to 176.625 Congolese francs between the British and Congolese currencies, as fixed in the agreement of 7 June. Both rates were to be maintained for the duration of the war\textsuperscript{39}.

De Vleeschauwer’s insistence on sticking to the devalued Congolese franc appeared at first sight to be totally at odds with the hard line he had taken a few weeks previously, when he had fiercely resisted a devaluation. However, since then the situation had changed. According to Ansiaux, the main reason for De Vleeschauwer’s refusal to accept an upward revaluation of the Congolese franc was the divergence of the exchange rate between the French and British currencies. After 7 June, the exchange rate that the two countries had fixed for their currencies could no longer be maintained on the free international market and, after the armistice, the French franc depreciated even further against sterling. The Belgian colonial companies feared being the dupe of this depreciation, which would undoubtedly have been to the advantage of their French competitors on the international markets, which is why they wanted the Congolese franc to continue to be held at parity with the French franc\textsuperscript{40}.

Similar considerations played a part in respect of Great Britain. As things now stood, Belgian colonial companies viewed their export prospects with gloom. Great Britain, the only one of the Allies still fighting the Germans, would certainly block the import of raw materials to the continent and would thereby seal off the traditional export markets for Belgian colonial goods. Exports to Great Britain were an option, and to

\textsuperscript{39} Janssens, \textit{De Belgische frank}, p. 293.

\textsuperscript{40} At the beginning of August 1940, the cross-rate of the Belgian franc against sterling on the basis of the free rate of the French franc at Geneva resulted in a value of 1 pound sterling to 250 Belgian francs. The colonial government and the colonial companies in the Belgian Congo felt that, under these circumstances, they could not justify a revaluation of the Congolese franc, as officially agreed for the Belgian franc on 9 July by the Belgian and French governments, namely back to 100 Belgian francs to 144.44 French or 1 pound sterling to 120 Belgian francs: BNB, Archives, SD, Ansiaux Papers, dossier A1: letter of 03.08.1940 from Ansiaux (Vichy) to Janssen (Brussels).
be able to compete against British colonial companies, which enjoyed a range of privileges in the mother country, there was only one weapon that the Belgian colony could wield: very low prices. A weak Congolese currency would thus underpin exports.

THE BANK UNDER TUTELAGE

While Governor Janssen was in Paris with Gutt on 20 May, negotiating a definitive Franco-Belgian monetary agreement, he also conducted talks with his counterpart at the Banque de France, Fournier, on the practical organization of the Bank’s operation during its exile in France. As mentioned in the previous chapter, the initial contacts had taken place within a collegial atmosphere of mutual helpfulness, as was normal among central bankers. However, when it became clear that military reverses were being suffered and that Belgium, following the Netherlands, would be obliged to lay down her arms, the mood changed. On 25 May, without giving the slightest indication to the Belgian government, the French government issued a decree whereby all deposits of money and other assets made in France by Belgian companies were frozen. For the Bank, the decree came like a bolt from the blue. Without the slightest warning, it was placed under the tutelage of the French government and no longer had the power to dispose of its own assets; it was even denied access to its reserve of banknotes in the strongrooms of the Banque de France’s branches at Mont-de-Marsan, Tarbes and Toulouse.

It was a decision that came wholly unexpectedly, too, for the Belgian government, which relied on the Bank and on its services as State exchequer and as State banker. Immediately after the signing of the Franco-Belgian agreement of 7 June, Gutt consequently felt himself obliged to request the French government for a loan of 400 million French francs in favour of the Belgian Treasury. However, not only did the Belgian government find itself in an impasse, there was also a complete cessation of the services provided by the Bank to semi-public institutions, whose heads were now advised to approach the Treasury for fi-

42 BNB, Archives, SD: Kauch, note sur les opérations de change, Chapter. 2, pp. 13-20.
nancing. Shorn of its fundamental functions, the Bank was left with no more than its contact with the *Banque de France* and with finding a solution to the problems of converting Belgian money into French. The French decree did, in fact, make provision for the freezing to be lifted, but for this to happen the special authorization of both the French and Belgian governments was required. Quite naturally, Gut did all in his power to have it lifted as soon as possible for the Bank, but it was not until 19 June that the matter was settled and the Bank regained the right to dispose of its assets. The reasons for this were the obvious ones of extremely poor communications, the chaotic military and political situation in the country and no doubt the irritation that was still felt by certain French authorities at the Belgian capitulation. At that time, there was no surplus of goodwill towards Belgium on the part of her southern neighbour.

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