A Small Nation in the Turmoil of the Second World War

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Chapter 13

The Installation of the
Banque Nationale de Belgique
in London

The Establishment of a Belgian Government in London

After the French defeat in June 1940, the British government was greatly disappointed by the decision of the Belgian ministers to give up the struggle against Germany and to return to Belgium, if possible. The British had few illusions about the help that could be expected from occupied Belgium and her vacillating government, but were concerned about the Belgian Congo. No later than 20 June, the British Foreign Secretary, Lord Halifax, had informed the Belgian ambassador, Cartier de Marchienne, that Great Britain could not countenance the Belgian Congo falling within the German sphere of influence. Was this a warning shot across the bows? A memorandum from J.G. Ward, a senior official at the Foreign Office, left nothing to the imagination about the mood in certain British circles: ‘It is of crucial importance to maintain Belgian Congo in a state of war against Germany... We must... envisage to intervene in the Congo to safeguard our vital interests, even at the cost of a correct constitutional procedure’.

The Governor-general of the Belgian Congo, Pierre Ryckmans, shared the British view and announced his intention of continuing the struggle against Germany in a radio broadcast. In doing so, he put himself in opposition to his own government and sent an unmistakeable signal. Now that Belgian sovereignty over the Congo was at stake, the

Minister for the Colonies, Albert De Vleeschauwer, requested the Cabinet to send him to the Congo and was allowed to go as ‘Administrator of the Belgian Congo’, but not as a minister, in case the government were to resign and he were thereby to lose his ministerial competence. He set out for Lisbon, arriving there on 24 June 1940, only to be advised by various prominent people not to travel immediately to the Congo, but to go first to London to take stock of the situation. On his arrival there on 4 July, his path having been smoothed by the Belgian ambassador, he gained direct access to Churchill and other members of the British government. In his capacity as Minister for the Colonies and as Administrator-general of the Belgian Congo, he placed the entire production of all raw materials at the disposition of Great Britain in her fight against Nazi Germany. This gesture was certainly appreciated, but the British felt that it was not wholly adequate for a government to be represented by just a single minister and asked whether he could not persuade some of his colleagues to join him. If that were not possible, the British government would feel itself obliged to recognise an alternative government eventually led by Van Zeeland.

At the end of July, De Vleeschauwer left for Barcelona and from there to Le Perthus, at the Spanish-French border, in the hope of being able to convince some of his colleagues at Vichy to make the move to London. Meanwhile, Gutt had been able to convince his fellow ministers to allow him to leave for England in his capacity as Minister of Finance. He had completed his task in France, he argued, and was now eager to tackle the problems in unoccupied territory, which could only be properly dealt with by a minister of Finance, ensuring the servicing of foreign debt, the payment of the salaries and expenses of the diplomatic corps, and securing the gold reserves of the Bank in unoccupied territory.

2 De Schryver, Oorlogsdagboeken, pp. 96-98.
Gutt left for Le Perthus, firmly determined to cross to London with De Vleeschauwer. He and De Vleeschauwer arrived in London on 8 August. Pierlot and Spaak accompanied Gutt to Le Perthus. They had given their word to return to Vichy, but after their meeting with De Vleeschauwer they were convinced that the government’s future lay in London. They soon left Vichy. The other eight members of the government refused to consider leaving and it was only after endless discussion that they gave their assent for Pierlot and Spaak to go, opting themselves to remain in France and agreeing to declare that they were willing to resign.  

Pierlot and Spaak reached London only on 22 October 1940, having escaped from two months of résidence surveillée imposed by the Spanish authorities after they arrived from France. Now, at last, a Belgian government could be formed in London, even though it boasted only four members. It was recognized by the British, but without any great enthusiasm.

THE FINANCING OF THE BELGIAN GOVERNMENT IN LONDON

Although the Belgian government was now back in harness and officially recognized by the British government, there was the immediate question of who was to finance its operation. Tax income was virtually non-existent and little could be expected from Baudewyns, who had been sent to London with the express instruction just to take care of the Bank’s gold reserves.

The financing of Belgian activities in unoccupied territories had been examined by Baudewyns, with the help of inspector Ansiaux, even before Gutt’s arrival in London. Ansiaux, when discussing the question with Baeseleeer, a director of the Banque du Congo Belge in Leopoldville, who was on a fact-finding trip to London, found out that De Vleeschauwer had contacted the Congolese administration in order to gain priority for Great Britain in the supply of goods, and particularly raw materials, from the colony. When Ansiaux heard that payment was to be in sterling, he felt at once that a solution to the problem of the government

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budget deficit was at hand and began to press for a convention that the colony would use its sterling portfolio to provide financial support to the Belgian government for the duration of the war. In De Vleeschauwer’s plans, there would be a considerable increase in that portfolio in the near future\(^7\). However, this did not square with De Vleeschauwer’s own view, which was that the colony’s income was to be applied to its own requirements and to supporting England, which was already an enormous undertaking. To cover its costs, the Belgian government in exile would simply have to call on the Bank and its gold reserves\(^8\).

Gutt, however, was taken with Ansiaux’s idea and contacted Jaspar Wauters, the London representative of the Banque du Congo Belge\(^9\), proposing that the Congolese bank grant the Belgian government a loan of 1-2 million pounds sterling in exchange for short-term Treasury bonds at an annual interest of 1.75 per cent, half to be redeemed in sterling and half in Congolese francs. In Gutt’s opinion, this would certainly be no bad thing for the Banque du Congo Belge. If everything went according to plan, the colony would have a sterling surplus at its disposition within the foreseeable future and, since that surplus could not be used outside the sterling zone, the colony could transfer it to the Belgian government, recouping it in part in Congolese francs\(^10\).

The Governor-general of the colony, Ryckmans, intervened to reject the proposal\(^11\). It was not that he was against a loan to the Belgian government. Nevertheless, he felt that such a loan ought to be issued exclusively in Congolese francs, which the Belgian government could then use to purchase sterling from the Banque du Congo Belge. Ansiaux argued that this was unreasonable and even to the colony’s detriment\(^12\), as

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\(^7\) BNB, Archives, sd, Ansiaux Papers, 1: letter of 03.08.1940 from Ansiaux (Vichy) to Janssen (Brussels).

\(^8\) BNB, Archives, sd, London Archives, 2 (1940), s. f. avances de trésorerie à De Vleeschauwer: juillet 1940: letters and texts of 8, 9 and 11.07.1940.


\(^10\) BNB, Archives, sd, London Archives, 2 (1941): letter of March 1941 from Ansiaux (London) to De Vleeschauwer (London); Ansiaux, Souvenirs, pp. 81-82.


\(^12\) BNB, Archives, sd, Ansiaux Papers, 3, dossier ‘Londres’: letter of 21.03.1941 from Ansiaux (London) to De Vleeschauwer.
it would mean the colony shouldering the entire exchange rate risk for the sterling balances it received, whereas the Belgian proposal meant that the risk would be shared by both partners.

The discussion dragged on, but the British government had not lost sight of De Vleeschauwer’s proposal regarding supplies from the Belgian Congo and had sent Lord Hailey with a delegation to Leopoldville in September 1940 to examine the matter. Negotiations were initially conducted with the Governor-general and the management of the Banque du Congo Belge, but were continued at government level between Great Britain and Belgium, once the Belgian government was established in London. This led to the agreement of 21 January 1941, signed in London by the new British Foreign Secretary, Anthony Eden, and Spaak. By its terms, the Congolese franc was included in the sterling zone, thereby bringing Congolese imports of goods, and Congolese exports of gold, coins and foreign currency within the control of the British monetary authorities. Additionally, there was official confirmation of the exchange rate of 176.625 Congolese francs to the pound, which consolidated a remarkable paradox: with a strong economy for the colony in prospect, the Congolese franc remained officially undervalued, whereas the Belgian franc, shorn of its economic base, officially retained its overvalued rate of exchange of 123 Belgian francs to the pound. It was an artificial situation and one that cost the Belgian government dear. If it had been able to finance its expenditure in England with Belgian francs at the official rate, the government would have had to give out just 123 Belgian francs to the pound. Gutt subsequently attempted to have the Congolese franc revalued to the level of the Belgian franc, but the British government naturally would have none of it.

Great Britain made use of the agreement of January 1941 to buy chiefly copper, cobalt, cotton, groundnuts, palm nuts and palm oil at fixed and favourable prices. However, the most important clause in the agreement concerned Congolese gold production, the Belgian government and the colony having undertaken to cede both the balance of gold production over and above their own requirements and any receipts in gold currency to the Bank of England for the duration of the war.

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The agreement of January 1941 was not well received by the Bank. It was true that the integration of the colony into the sterling zone, was widely praised. It ensured a guaranteed export market, but this was at prices that were far too low. The agreement also set a geographical limit for imports, as goods could be bought only within the sterling zone, thereby making free trade a dead letter for the colony; moreover, the exclusive link to sterling could also entail a dangerous exchange rate risk. Virtually identical critical comment was to be heard in the colony itself. Indeed, dissatisfaction there with the agreement was extreme and felt by everyone, specifically by the Governor-general and the Banque du Congo Belge, but no less by the business world. As always, however, businessmen managed to find a way around the restrictive clauses, bumping up the production of goods that fell outside the scope of the agreement, which could be sold to the United States at prevailing world prices.

On 21 March 1941, within the framework of the Anglo-Congolese agreement, Gutt was at last able to conclude a convention between the Belgian government and the colony to secure the government’s financing for the duration of the war. The convention itself was the outcome of the original idea from Ansiaux and the subsequent discussions between Gutt, on the one hand, and Ryckmans and the Banque du Congo Belge, on the other, the ground having been prepared by Ansiaux during his mission to Lisbon in February 1941.

In order to provide cover for the financial needs of the Belgian government in London, the Banque du Congo Belge undertook to make the requisite foreign currency available and to do this by means of loans, for which the colonial government would stand surety. In exchange

14 BNB, Archives, SD, Ansiaux Papers, A 2, dossier 9, 1/24: agreement of 21.01.1941 between Great Britain and the Belgian Congo.
15 NdLARA, Ministry of Foreign Affairs, London Archives, A, 1940-1945 (diplomatic zaken CH Z): memorandum of 02.05.1945 from the Dutch legation.
16 BNB, Archives, SD, Malaise Papers: Kauch, La Banque Nationale (unpublished text), Part 1, Chapter. 9, pp. 51-53 and 59-60.
17 BNB, Archives, SD, London Archives: letter of 30.07.1940 from Janssen (Brussels) to Baudewyns (London) and particularly letter of 03.08.1940 from Ansiaux (Vichy) to Janssen (Brussels)). See also: BNB, Archives, SD, London Archives, dossier 1 (1941), s. f. mission d’Ansiaux à Lisbonne: projet de convention entre l’Etat belge et la colonie (rédigé par Ansiaux).
for the loans, the Belgian government would issue short-term Treasury certificates at 1.75 per cent per year, payable in Congolese francs. In its turn, the Bank guaranteed to discount those certificates, should the Banque du Congo Belge require them to be paid out at maturity, rather than renewed. With this, the problem of financing the Belgian government during the war was resolved. In the event, the loans from the Banque du Congo Belge provided the greater part of the financing.

THE BANK IN LONDON AND ITS PROTAGONISTS

The formation in London at the end of October 1940 of a legal government in exile came also as a great relief to Baudewyns and Ansiaux, the two persons heading the Bank in the British capital. At last, after months of uncertainty, there was now a government again, which was recognized by the British and the Belgians as the only legitimate government of Belgium. For Baudewyns and Ansiaux, this also cleared the situation with their British counterparts.

The four ministers forming the government in London were Pierlot, Gutt, Spaak and De Vleeschauwer, but what type of people were they and what were the power relationships among them? In his memoirs, de Gaulle praised the Belgian government: ‘Pierlot, Gutt and Spaak made together an excellent team, combining wisdom, diligence and dexterity in the service of Belgium’¹⁸, but did the reality fully reflect these fine words? The prime minister was held in universal esteem for his integrity and his perfectionism, but, in fact, he had no leadership qualities and his manifest difficulty in coming to a decision often led to tension within the government¹⁹. The British assessment of Spaak was not wholly positive either. According to some he was not free of a degree of opportunism and was not exactly eager for work. The latter point was one on which Gutt, himself a workaholic, could get extremely exercised²⁰. De Vleeschauwer was virtually sidelined politically by Gutt, once the financing of the Belgian government in London had been settled. De

¹⁸ Quoted by Dujardin and Dumoulin, Spaak, p. 213.
²⁰ Gutt alluded to this regularly in his letters to Theunis.
Gaulle did not even mention De Vleeschauwer in his memoirs when he spoke of the Belgian government in London.

As indicated above, and disputed by no-one, Gutt was the dominant figure in the Belgian government in London. Adroit and charming when necessary, he achieved his goals through unflagging drive. His intelligence and command of briefs enabled him to neutralize all criticism with just a few words, whether it came from within the government or from the circle of members of parliament, former ministers and other prominent figures who had fled to London. Baudewyns, who often suffered at his hands, wrote of him: ‘an exceptional mind: Gutt surpasses by far his colleagues...his English is impeccable’.

Of the Bank’s protagonists, Baudewyns was not a fighter. However hard he struggled to defend the interests of the Bank, he had to knuckle under when it came to the point and follow the Finance Minister’s instructions. In fact, Gutt underestimated Baudewyns’ intellectual qualities. Although not a man for public debate, Baudewyns, nevertheless, demonstrated an acute understanding of current problems, as he demonstrated during the monetary negotiations in preparation for post-war monetary policy. Ansiaux was from a different mould, a man more on the lines of Gutt. From their first contacts, Gutt described the young inspector as: ‘outstanding, courageous and smart’. As time went on, Baudewyns felt himself overshadowed and even overtaken – not altogether without reason – by Ansiaux, who had, meanwhile, been appointed a director. Occasionally, Baudewyns had to call him to order.

Theunis, a member of the supervisory council and Ambassador Extraordinary in New York, was a very striking figure, very intelligent, a man of integrity, able and blessed with a particularly keen memory. He had been closely involved in the Bank’s activities since the beginning of the war and, holding the Bank’s mandate, it was his task to act for the

21 See, among others: Schepens, De Belgen in Groot-Brittannië, passim.
22 Baudewyns Family Archives: letter of 17.02.1941 from Baudewyns (London) to his son (Oxford).
23 See below.
24 ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letter of 06.01.1941 from Gutt (London) to Theunis (New York).
25 Baudewyns Family Archives: letters of 02.12.1941 and 06.02.1942 from Baudewyns (London) to his son (Oxford).
Bank in New York in its function of State exchequer. In that capacity, he also introduced the legal proceedings against the *Banque de France* before the Court in New York. His long connection with Gutt explained why he followed the affairs of the Belgian government in London with more than ordinary interest. In his letters to Baudewyns from this period, Ansiaux pointed to the enormous influence exerted by Theunis, behind the scenes via Gutt, on the decision-making of the Belgian government in London. On 7 June 1941 he wrote: ‘Theunis...is, in fact, the real leader of the State’.

**BAUDEWYN’S DIFFICULTIES AT HIS INSTALLATION IN LONDON**

Baudewyns arrived in London four days after having taken his leave of Janssen at Bordeaux on 18 June 1940. By 24 June, he was ensconced in a comfortable office in the Bank of England, as indeed was Ansiaux. Getting the Bank installed in London may have gone smoothly, but getting on with its task of acting as State exchequer proved much more tricky. At their leave-taking in Bordeaux, Janssen had impressed on Baudewyns that the Bank’s three officers in unoccupied territory – Baudewyns, Ansiaux and Theunis – were on no account to exceed the authority delegated to them on 18 June, which was no more than to take measures to conserve the Bank’s gold stocks abroad. Only Ingenbleek, staying at Mont-de-Marsan after Janssen had left for Brussels, was given authority to execute payment orders on behalf of the Bank in unoccupied areas.

Baudewyns looked to obey Janssen’s formal order to the letter and informed Ansiaux and Theunis of his intention. However, he was no sooner installed in London before requests for money and advances came pouring in. Boël needed money to find somewhere to house the Belgian Navy, which had moved to England. The ambassador, Cartier de Marchienne, requested money to support the Belgian embassy’s ex-

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27 BNB, Archives, sd, London Archives, dossier 2 (1940), s. f. ‘difficultés de disposition à la Federal Reserve Bank’: letter of 12.07.1940 from Theunis (New York) to Baudewyns (London).
ceptionally busy rôle in London, to pay the salaries and costs of the other diplomatic and consular services within the sterling zone and to provide material help to the Belgian military personnel, politicians, officials and the like who had also fled to England. Baudewyns had himself to provide financial support for the twenty-eight members of the Bank’s staff who were in London. Over and above this, Baring, the London bank, was asking for instructions, to ensure the servicing of the State loan of 1936. Lastly, Theunis was urgently demanding money to be able to finance the servicing of the loan taken out in New York by the Belgian State, which matured on 1 July 1940. He also needed money to pay the oversees diplomatic services outside the sterling zone, for which he was responsible. Caught on the back foot by all these requests, Baudewyns was now fully convinced that the Bank in London ought to be represented by someone with power of decision, someone who, in the capacity of State cashier, could make specific payments on account of the State.

Moreover, driven to distraction by Ingenbleek’s irrational conduct, he sent a telegram to Theunis, requesting him to contact the Federal Reserve Bank of New York and ask, as a matter of urgency, whether it would be willing to execute a few more payment orders for the Bank if they came from London and were signed by Baudewyns. However, the Federal Reserve Bank refused to recognize Baudewyns’ signature, keeping strictly to the instructions issued by Janssen. At that point Theunis wrote to Baudewyns: ‘Janssen’s instructions to the Federal Reserve Bank tie my hands completely.’ Theunis found it incomprehensible that Janssen, on his departure for Brussels, had not ensured that Baudewyns would have the same authority to make pay-

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28 BNB, Archives, SD, London Archives, dossier 2 (1940), s. f. ‘avances de trésorerie’ (De Vleeschauwer: juillet 1940): report of a meeting of 08.07.1947 at the Belgian embassy; letters of 9 and 11.07.1940.


30 BNB, Archives, SD, London Archives, dossier 2 (1940), s. f. ‘difficultés de disposition à la Federal Reserve Bank’: letter of 18.07.1940 from the Federal Reserve Bank (New York) to Baudewyns (London).

31 BNB, Archives, SD, London Archives, dossier 2 (1940), s. f. ‘difficultés de disposition à la Federal Reserve Bank’: letter of 20.08.1940 from Baudewyns (London) to Theunis (New York); letter of 19.09.1940 from Theunis (New York) to Baudewyns (London).
ments in the dollar and sterling zones as Ingenbleek for the French franc zone. Had he done so, all problems would have been eliminated\(^\text{32}\).

Even Janssen received no response when, as Governor, he attempted to authorise payments to the Federal Reserve Bank from Brussels\(^\text{33}\). That institution now invoked Belgian law, which stated that, in times of war, the registered office of the Bank was required to be established where the government had chosen to be domiciled. The legal Belgian government was now in London and the registered office of the Bank had meanwhile been transferred to Brussels, a situation which was not in conformity with the law. Because of this, the Federal Reserve Bank refused to accept payment orders from Brussels.

Baudewyns, for his part, had more to contend with than the Federal Reserve Bank’s refusal to recognize his signature, as his position in London as representative of the Bank was hotly disputed during the initial months after his arrival. At first, he concentrated on activating the Anglo-Belgian financial agreement of 24 May–7 June 1940 and the accompanying memorandum endorsed in Paris by Janssen and Cobbold for the Bank and the Bank of England respectively.

That agreement laid down that the British and Belgian governments would grant each other, for the duration of the war, a credit line of up to 3 million pounds sterling at an interest rate of 3 per cent; accounts would be squared each month and half of any credit drawn down would be settled in gold\(^\text{34}\). In France, the Belgians were convinced that the British delegates were totally behind the agreement and that official ratification was no more than a pure formality. Once in London, however, Baudewyns could persuade neither the British government nor the Bank of England to have the necessary signatures appended to the agreement and its stipulations implemented\(^\text{35}\). Ultimately, a financial arrangement was set up by roundabout means: more particularly, a temporary agreement between the *Banque du Congo Belge* and the

\(^{32}\) *ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letter of 20.08.1940 from Theunis (New York) Gutt (Lisbon).*

\(^{33}\) *BNB, Archives, sd, Ansiaux Papers, 1: letter of 03.08.1940 from Ansiaux (Vichy) to Janssen (Brussels).*

\(^{34}\) *See above.*

\(^{35}\) *BNB, Archives, sd, Ansiaux Papers, 1: letter of 03.08.1940 from Ansiaux (Vichy) to Janssen (Brussels): ‘l’accord anglo-belge n’a pas joué’.*
Bank of England whereby, among other things, each granted the other a line of credit, from which the Banque du Congo Belge could lend sterling to the Belgian government.

Another difficulty concerned payment or transfer orders to the Bank of England on behalf of the Belgian government. Janssen had informed the Bank of England that, after the return of the Bank’s registered office to Brussels, he had resumed his authority as Governor. Next to Ingenbleek at Mont-de-Marsan, he would also, among other things, issue international payment orders from Brussels on behalf of the government. Following a policy of its own, however, the Bank of England declared that it could not accept orders from Janssen nor from Ingenbleek, since, for the duration of the war, it would not, as a matter of principle, execute orders issued from within German-occupied territories or even from unoccupied France. The fact that these were not just idle words was born out by the feeling Baudewyns and Ansiaux had of being in the firing line because of their contacts with Brussels and Mont-de Marsan, as detailed in Chapter 5. This unpalatable situation was resolved by a decree issued by the Belgian government on 31 October 1940, shortly after its establishment in London. This substantially increased the administrative authority of all directors of Belgian companies who were resident in unoccupied territory, whatever their previous status. This immediately normalized the situation of Baudewyns and Theunis, both of whom could now act effectively in the direction of the Bank within the sterling and dollar zones.

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36 BNB, Archives, Boekhouding, 1, dossier D 606/4: letter of 04.07.1940 from Baudewyns (London) to Janssen (Mont-de-Marsan).

37 BNB, Archives, sd, Ansiaux Papers, 1: letter of 03.08.1940 from Ansiaux (Vichy) to Janssen (Brussels). See also: BNB, Archives, sd, Malaise Papers: Kauch, note relative à l’or, n° 23.