

THE PROTRACTED SEARCH FOR A NEW PLACE IN THE CONCERT OF NATIONS

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Four years of war had dramatically changed the face of the country. For decades, Belgium had been one of the top five industrial powers, and its industrial products had been able to compete globally thanks to their low cost. The country was the first to experiment with a new form of enterprise: the financial trust or holding company. Global expansion followed, with Belgian investments in the electricity industry, the tramways and the railways. Belgium was the largest foreign investor in Russia, and was present in the Middle East, Eastern Europe and Latin America. Leopold II's endeavours pushed Belgium to fully participate in the race for China. Furthermore, with the acquisition of the Congo Free State in 1908 it had become a colonial power.

But the war and the occupation put a stop to Belgian global expansion: by 1918 the country was devastated, its industrial heritage dismantled. West Flanders was a desolate wasteland. The Belgian state was facing a rapidly-growing government debt to mortgage the reconstruction. The pre-war illusion that neutrality would protect the land forever had evaporated.

The Belgian government in Le Havre had already realised during the war that the recovery of the country's political independence would have to go hand in hand with the recovery of its economic independence. If not, the country once again risked becoming the puppet in the power politics among its larger neighbours. It was that insight that formed the core of the Belgian objectives at the peace conference that opened in Versailles on 18 January 1919. In it, Belgium proposed the lifting of the obligatory neutrality and the payment of reparations by Germany and sought guarantees against the economic and political predominance of both France and Germany.

To prevent France gaining too great an influence over Belgium, Belgian diplomacy was committed to a customs union with the Grand Duchy of Luxembourg, the crucial hub for Belgian's trade with Southern Germany, Alsace-Lorraine, Switzerland and Italy. After all, French control over Luxembourg would hand Paris a means of applying commercial and economic pressure on Belgium.

As for Germany, Belgium felt it should be subjected to commercial and economic discrimination at least for the duration of the reconstruction of Belgian industry and the recovery of its former markets. But above all, the Belgian delegation in Versailles was committed to obtaining reparations, as being the only way to finance the country's reconstruction, repay American war loans and compensate its people for the losses they had suffered. The Versailles Treaty declared Germany to be the sole responsible for the outbreak of the war and therefore had to compensate all war damage that had been suffered.

But Versailles did not become what Belgian diplomacy had hoped, though Belgium did acquire a priority right to the German reparations and saw the intended discrimination against the German economy embedded in the Treaty. She also obtained psychological compensation from the major powers in the form of the upgrading of their legations in Belgium to embassies, the very first presidency of the Assembly of the League of Nations (in the person of Louis Hymans) and the membership, as non-permanent member, of the Council of the League of Nations. It was also given territorial expansion with the former German cantons of Eupen, Sankt-Vith and Malmédy and a League of Nations mandate over the German colonies of Rwanda and Burundi.

Yet Belgium had hoped for more. Obligatory neutrality may already have been lifted, but international guarantees for the security of the country were not forthcoming. After all, the collective security pledge in the context of the new League of Nations seemed utterly implausible. But it was mainly the lack of results in terms of economic independence that raised concerns as far as the Belgian government and diplomacy were concerned. Paris had successfully objected to the Belgian claims to Luxembourg, and access to the French and British markets was similarly not in the offing. The Belgian share of the German reparations was under severe pressure. Not only did the other victors, such as France, also want as big a slice of the pie as possible, but because economic and commercial restrictions had been placed on Germany, it soon became clear that the country was not actually in a position to make the hefty payments.

Belgium, liege of France ?

After Versailles, Belgian diplomacy launched an intensive diplomatic campaign to retain the Belgian priority of payment and as big a share in the German reparations as possible. However, that campaign did not go as expected, and Belgium ended up in a diplomatic impasse.

To ensure its political independence in post-war Europe, Belgium had intended to conduct a policy of strict balance in respect of all its major neighbours. But by prioritising economic independence, Belgian foreign policy unwittingly got tangled up in the French strategy of anti-German block formation.

To appease France with regard to its claims to Luxembourg, Belgium showed that it was willing to take part in the French occupation of several cities in the Rhineland in April 1920. In exchange, France renounced its own claims. However, the occupation soured diplomatic relations with London. Officially, Belgium was still seeking economic and military cooperation with Great Britain, but the Belgian participation in the Rhineland operation confirmed in British eyes precisely what London was apprehensive about, namely being dragged into a French anti-German policy through an alliance with Belgium.

To maintain French goodwill, Belgium then declared itself prepared to conclude a military accord. France did indeed give the green light to a Belgo-Luxembourg customs union, which was set up in May 1921. But while Belgium regarded the Franco-Belgian military agreement as the first step in its intended balance of power diplomacy, London saw it as additional proof that Belgium was behaving as a vassal of France.

The third and final stage in the Belgo-French diplomatic ballet was the Belgian willingness, in January 1923, to take part in a new French military operation, the occupation of the Ruhr. Again, Paris reacted positively to this Belgian gesture. Four months later, France therefore agreed to a trade treaty that ultimately gave Belgium access to the French market. But it was more than that: it amounted to a genuine economic alliance between both countries, aimed at creating a long-term reorganisation of the economic power relations in Europe, to the detriment of Germany.

Belgium's reputation throughout the world lay in tatters. The country had already alienated itself from the Netherlands with its plans for possible territorial expansion to the detriment of its northern neighbour and it had angered Luxembourg, which would have preferred a customs union with France. Belgium's military crackdown during the Ruhr occupation, and the strict punitive measures that it took in respect of Germany, earned the country the

reputation as a small, brutal major power. At home, Belgian public opinion saw the action as a justified defence of the country's interests, but London and Washington saw Belgium as no more than a pawn in France's power politics.

However, the Belgian diplomatic position soon began to tip. The economic strangling of Germany had the opposite effect from the one intended. The Belgian government came to the realisation that France and Belgium alone could not solve the German question and that they still needed the support of the United States and Great Britain. Ultimately, the alliance with France particularly benefited French business, not Belgian.

A European *détente*

Elections in France, followed by elections in Belgium, cleared the way for a review of the policy towards Germany: rapprochement instead of power politics would be needed to break the diplomatic impasse. In August 1924 an international committee led by the American banker Charles G. Dawes reached a compromise on the German reparations based on a plan set out by the Belgian financier Emile Francqui. The level of the amounts was in fact less important than the philosophy behind the Dawes Plan. So that Germany could pay, its economy and trade would need to be rebuilt. To that end, its economic and financial unity would need to be reinstated and the Franco-Belgian occupation was thus to end. At the same time, Germany was given the opportunity to finance its reconstruction with large foreign loans, chiefly of American origin.

In turn, the Dawes Plan paved the way for a *détente* in European relations. At the beginning of February 1925, the German Foreign Minister Gustav Stresemann proposed a pact, to France and Great Britain, between all the countries 'with interests in the Rhine'. The participating countries would commit to renounce war against each other and to guarantee the post-war territorial *status quo*.

On 5 October 1925, five countries met in Locarno, Switzerland. Belgium was one of them. After two weeks' negotiation, a series of treaties was signed, the most important of which was the Rhine Pact. In the spirit of the principles of the League of Nations, this laid down the inviolability of the post-war borders in Western Europe, guaranteed by all participating states. Belgium thus ultimately acquired the security guarantees it had been fruitlessly pursuing since Versailles.

International economic relations were another area where Belgium again found its place in the concert of nations. By 1925 the war damage had been largely repaired and global trade

grew strongly from 1924 onwards. Trade flows were back to pre-war levels and Belgium began to diversify its markets, leading to an economic boom for the country and a substantial expansion of its industrial production and export.

Belgium, advocate of free trade

The nation emerged as a committed free trade advocate: the lower the customs tariffs, the more even the playing field for small countries. When the League of Nations convened a World Economic Conference in Geneva in May 1927, Belgium therefore played an active role. Under the presidency of former Prime Minister Georges Theunis, the conference was to definitively end the era of economic warfare, by means of a systematic abolition of customs tariffs. It was the beginning of the multi-lateralisation of economic relations on the European continent.

When protectionism reared its head again outside Europe, Belgium reinforced its newly discovered pioneering role. In July/August 1929, Foreign Minister Paul Hymans called for an international 'customs truce', which was supposed to culminate in a worldwide collective commercial free trade convention.

But it never came to that... In October 1929 the stock market crashed on Wall Street, setting off a chain reaction, with the major states reverting to a policy of economic nationalism. Not so Belgium. During the 1930s, Belgium continued to pursue its now familiar role of free trade advocate to the full. In doing so, it discovered the benefits of strong economic relations with its immediate neighbours. This was the beginning of a diplomatic journey that would turn Belgium after the Second World War into the architect of European unification.

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