By Act of Oblivion

Adolf Hitler once asked, “Is it not precisely the hallmark of British statesmanship to draw economic advantages from political strength and to transform every economic gain into political power?” A seemingly accurate description of British foreign policy, the Nazi dictator appears to have perceived the actions of Britain’s post-war Government. From 1945, Britain experienced an economic decline accentuated by the conclusion of World War II. The United Kingdom’s economic growth had been weakening since the 1870’s, but the financial cost of maintaining Britain’s resistance against Hitler’s Germany amounted, according to one estimate, to a quarter of Britain’s national wealth. By 1945, Britain had a vast amount of labour tied up in the role of occupying Europe, the Far East and the Mediterranean; additionally, some four million personnel had been engaged in munitions production. Despite being on the side of the victors, in the course of nearly six years of military conflict, Britain had gone from being the ‘world’s greatest creditor’ to being the ‘world’s greatest debtor’. When the United States cancelled its lend lease programme in 1945, Great Britain was forced to request an American loan that, if not given would, according to John Maynard Keynes, mean “a large scale withdrawal on [Britain’s] part from international responsibilities.” A loss of prestige and global influence was not something that the political authorities were willing to accept. Even so, Britain’s national economy and the conduct of foreign policy remained intrinsically connected with ‘rising demands’ battling against ‘insufficient resources.’ From July 1945, Britain and the newly elected Labour Government faced the task of balancing domestic and international commitments against Britain’s reduced financial capabilities and resources, but, as Pickering (1998) has stated, “the margins for fiscal error were extremely small because of the ambitious pursuit of both ‘welfare’ at home and ‘greatness’ abroad.”

Much of the Labour Government’s foreign policy in the years 1945 to 1950 incorporated the political ideas of Earnest Bevin, a foreign secretary with an ingrained sense of fiscal management and a flair for financial responsibility. For Bevin, British foreign policy was constructed around “three main pillars…the Commonwealth, in some degree, Western Europe, and the United states.” All the pillars were viewed as three ‘interlocking circles,’ an earlier Churchillian idea in which each circle contributed their own sense of importance to British foreign policy considerations, and, together, a matter of balancing Britain’s commitments to all three. Bevin had recognised the need for a defensive political ‘western bloc’ of European countries, but he also supported closer economic and commercial co-operation that would provide a single, self-supporting economic unit by pooling the resources of the various countries concerned. It was hoped the plan would help regenerate the continent and preserve a lasting peace in Europe, in part, to counter the strained relations between Britain, the Soviet Union and the United States concerning the fate of East and Western Europe, but, principally, the future of Germany. The Treaty of Dunkirk between Britain and France was probably designed to ensure the containment of Germany rather than a bid to restrain Soviet expansion. Although intended possibly as a ‘self-contained’ policy, the Treaty of Dunkirk may have been an extension of Bevin’s idea for a future ‘Western Union’, an eventual ‘third force’ that would dominate between Northern
Europe and Southern Africa, independent from the United States and USSR spheres of influence. The same could be argued for the Treaty of Brussels, although it as been suggested that Britain’s part in the treaties was one of supplying a hook to angle for American aid. Indeed, towards the end of the 1940’s, and despite the ‘Western Union’ speech in January 1948, Bevin increasingly appeared to realise that the United States was a vital component in securing the defence of Western Europe, a task that Britain could not adequately fulfil. Closer economic ties would help Britain to establish a stronger role in Europe, but Britain’s financial instability would encourage Bevin to extend his ‘bloc’ to incorporate a ‘western union’ of financially viable countries. Although the Cold War played a part in determining the boundaries of the circle’s framework, financial considerations would account for a substantial degree of policy formation and political strategy. With Bevin in charge, the attitude was that Britain’s economic difficulties were only temporary, and the conduct of British foreign policy was gauged according to the needs of Britain’s economic well-being. However, in 1945, Britain appeared to be as economically damaged and debilitated as its principal adversary in World War II, and Germany was believed to be a key factor for future European stability and the economic revival of Great Britain.

For Britain, the reconstruction of Germany had implications for Britain’s domestic economic situation and on her own foreign policy. It was estimated that by 1947, the cost to Britain for maintaining its occupied zone was £130 million. German remilitarisation was a way to stabilise the Western European economies, but for Britain, as the occupier of Germany’s major industrial region, foreign policy decisions would prove to be problematic and Britain’s own economic situation remained a crucial factor in the formulation of a policy toward Germany. Although Britain managed to relieve some of its financial liability by settling an agreement with the United States to ‘fuse’ the two zones occupied by America and Britain, the cost of occupation remained restrictive. The problem was one of managing to create a balanced economy in Germany that would not hamper Britain’s own domestic reconstruction. The question for Britain, as one historian has put it, “was European economic construction and security to be achieved by pursuing a policy of economic security from Germany or with Germany?” Britain needed to provide Germany with a reasonable level of economic stability, but, for the time being, Bevin ruled out German military rearmament as the answer to the economic management of Germany’s industrial centres. Britain wanted to limit certain industries (capped level of Industry plan in 1946) to prevent a resurgent Germany from again becoming a military threat, but the problem produced a conflict of minimising possible military aggression against domestic economic considerations. With France being potentially the most important ally for Britain in the reconstruction of Europe, Britain needed to take into account French fears of a remilitarised Germany. Since 1945, the Foreign Office had viewed British and French relations as a key factor in the creation of a Western Union, so, arguably, ‘the French alliance remained the essential foundation on which to build co-operation with other European powers.’ As Britain’s financial position deteriorated towards the end of 1946, opposition to economic co-operation with the French began to grow in Whitehall and from the Treasury and the Board of Trade. Growing scepticism felt that an increase in Anglo-French trade would not resolve Britain’s economic difficulties, and, as a result, tension developed between the requirements of foreign economic policy and the needs of the British economy. With regards to the future of Germany, France wanted a system that incorporated an independent and international management of the Ruhr, but Bevin opposed such an
idea and supported a plan for the major industrial areas to remain a part of Germany but controlled by a consortium of states. To a point then, Britain’s economic difficulties affected the nature of Anglo French relations. Not only was the French proving an undesirable option in an Anglo-European strategy to alleviate Britain’s economic situation, moreover, German rearmament may have provoked a measure of retaliation from Moscow, and in the early post-war years Britain attempted to retain a conciliatory approach to the USSR. Perhaps most notably as far as the British foreign policy was concerned, if West Germany was rearmed, it could have provoked ‘strong pressure’ on the western allies to ‘terminate’ their occupation leading to a withdrawal of United States troops. One solution was for Britain to gradually remove the existing limitations of German industry that would enable her to participate in the various European economic organisations, thus removing a drain on British resources. When North Korean troops invaded South Korea, the Pentagon recommended the formation of German units within NATO and put pressure on Britain to re-evaluate its policy toward Germany in a bid to reconcile the ERP with German rearmament. In September, 1950, Attlee declared that for “economic reasons the maximum use should be made of permitted German industrial capacity to meet some of [Britain’s] additional defence production needs, thereby reducing the burden on United Kingdom industries of special importance both to our export trade and investment programme.”

One conclusion of Anglo-German affairs for the period argues that “a West German defence contribution was an important element in the consolidation of the western economic system and an intrinsic part of British foreign economic policy.” By 1951, Britain decided that Germany should undertake an adequate contribution in some form or another to western defence, perhaps the most decisive step in British policy toward Germany.

Although some writers have regarded Britain’s post-war position and subsequent policy as a ‘lost opportunity’ for concerted European integration, it is difficult to justify such claims when considering the amount of contemporary importance placed on Britain’s imperial interests, especially as the Empire had been (and arguably still was) the ‘pillar’ upon which British wealth and global prestige rested. Indeed, it has been suggested that the post-war Empire was vital for Britain to maintain trading agreements within an important group of countries still using sterling as their trading currency. In addition, one opinion observes that for as long as Britain held onto the imperial territories, the country was viewed as a ‘wicked imperialist power,’ but perhaps more importantly, if the territories were surrendered, Britain was visibly ‘demonstrating her decline.’ However, the Empire supplied Great Britain with valuable resources such as tin, oil, and rubber, providing an economic asset that the Labour Government were reluctant to let go, in addition, Africa and India could have been utilised as a means for European investment. Nevertheless, the Empire maintained a large British armed force draining a much-needed work force to help boost the domestic economy by keeping the factories a source of viable and profitable production. Some form of balance was needed between the practicable cost of maintaining imperial assets and the price of stimulating an economic recovery back on home shores. In 1945, Bevin informed the Cabinet that Britain faced a dilemma of conflicting interests. It was noted by the Foreign Secretary that Britain could not ‘abandon’ its ‘responsibilities in many parts of the world,’ but then there was also an ardent need for domestic ‘economic rehabilitation.’ As well as revitalising Britain’s economic health, the Government were intent on healing the disparity within Britain’s social class structure. This programme would include a ‘welfare state’ of free
education, health care and social services, and an extensive programme of nationalisation, all intimately connected to Attlee and Bevin’s socialist principles. Although the Labour Government wished to implement a domestic welfare policy, a lack of strong economic capacity limited the choices available, and therefore affected the degree to which Britain could attain an effective world policy without restricting the country’s global position. The problem was how to fund the new political agenda without sacrificing the majority of Britain territorial and material assets.

One of the factors that played a role in balancing Britain’s financial book-keeping was to reduce its expenditures overseas. Although Bevin initially committed to a swift peace settlement to ensure a reduction in Britain’s post-war overseas commitments, the process appears to have faced difficulties from the onset. British troops were still needed to occupy disputed regions, a process that according to Bevin was necessary in light of future negotiations with the Kremlin, and to protect regions from possible incursions by the Soviet Union. However, troops stationed overseas produced a manpower shortage that undermined any effort to stabilise the recovery of Britain’s industrial capacity. In part, Bevin approached the Dominions in early 1946 and made enquiries to the effect that perhaps other Commonwealth countries could accept a share of the post-war financial and military burden carried by Britain, but such attempts practically came to nothing. Britain’s wish to maintain its status as one of the ‘big three’ was gradually undermined, and, without a co-ordinated defence and foreign policy among the Commonwealth countries, as Elisabeth Barker (1983) notes, the United Kingdom would “have to go on relying on [its] own frail resources.” Weighed down by crippling financial costs, the Government looked to reduce its expenditure among the imperial territories.

A plan to provide a ‘Social and Economic Policy’ for India was rejected in the post-war months simply because the programme could not be afforded in light of the need for the immediate rehabilitation of the domestic economy. The decision was taken to end Britain’s economic responsibilities on the Indian continent, and in August 1947 India gained its ‘independence’ but split between the two dominions of India and Pakistan. Although Britain may have lost its ‘Jewel in the Crown,’ prompting criticism of a ‘divide and quit’ policy within the British Government, and in part reflecting a perceived decline of the British Empire, it has been suggested that the Government in fact saw Indian self-determination as an ‘enlightened programme of deliberate decolonisation.’ Indeed, a post-independent India continued to provide a level of Anglo-investment and trade, and Pakistan generally sustained its status as a reliable ally. The situation in the Middle East would prove to be more challenging. Britain had formulated a plan to resolve the conflict between the Jewish and Arab peoples in Palestine, but an American rejection of the scheme pressured Britain to relinquish its authority in the region in May 1948. Although the decision to quit was in part motivated by public opinion, a chief consideration was the financial price of maintaining peace in the area. Between 1945 and 1947, the ‘Palestine problem’ had cost the Labour Government £100 million, and by the time of the 1947 economic crisis, with no signs of a viable resolution, the British ended their role in the region. Despite the ensuing conflict between the Arabs and Jews being blamed upon ‘imperialistic misrule,’ it has been suggested that the aftermath was a result of an “inappropriate sense of fair play on the part of a decolonising government.” To a point, the Government’s policy makers ensured that the cost of maintaining a
Commonwealth was reduced, but at the same time, the majority of the new dominions remained an influential part of Britain’s global status and a continuing reflection of world authority. Indeed, the Government somewhat renewed its approach to the Commonwealth in that, despite the amounts of money involved, funds were set aside for Colonial welfare and development programmes, and India, Pakistan and Ceylon retained a degree of influence and allegiance in British affairs. This state of affairs meant that such countries could still play a possible role in Bevin’s plan for an enlarged version of his ‘western union’ plan that included colonial and dominion possessions.

Along with Turkey, Greece remained a country of strategic importance to British interests in the Mediterranean, and it was felt that Turkey might succumb to Soviet diplomatic pressure, possibly inducing a ‘domino effect’ of countries falling to Communist expansion. While Turkey’s position was fragile, war and German occupation had left the Greek infrastructure economically and materially shattered. The cost of funding the Greek army in its fight against communist partisans had proved prohibitive for the British government, and despite Bevin’s reluctance to end once and for all the British presence in Greece, the Foreign Secretary felt the drain on Britain’s resources in supporting Greek resistance. In January 1947, Bevin had proposed that at least a division of British troops should remain in Greece until a time when Soviet troops in Bulgaria became less threatening and when American help could be forthcoming. However, economic difficulties including an acute dollar gap meant that by February, Britain notified Washington that unless America was willing to help Greece, Britain could no longer support the Greek armed forces after April. Although British troops continued to maintain a limited presence until ‘rebel forces’ were defeated in Greece, Bevin did manage to get American economic and financial aid and some $400 million was secured by America to support the situation in Turkey and Greece, thus, reducing at least one aspect of Britain’s overseas expenditure.

A commitment from the United States to contain the spread of Soviet Communism may have been prompted by Britain’s decision to pull out of Greece, but by declaring the view that the world was split between free democratic states and communist oppressive regimes, the Truman Doctrine undermined Bevin’s plan for a co-operative Europe. Although the prospect of a ‘bi-polar’ world was not conducive to British foreign policy, an offer of American financial aid was altogether a far more attractive proposition. By 1947, Britain’s economic climate was epitomised by a harsh winter, a subsequent fuel crisis and an export deficit that further widened the dollar gap. Sir Henry Tizard appeared to sum up Britain’s stark position when he wrote “we are a bankrupt nation,” adding that if events were not to take a positive change of direction, Britain could become “negligible in world affairs.” It is perhaps no surprise that Britain’s reaction to a United States offer of aid was a positive one as it arrived at an opportune moment. However, George Marshall’s offer of American aid in 1947 would only be viable in the event of the initiative coming from Europe and with some form of strengthened future European collaboration. Britain’s standpoint on European cooperation appeared subject to the political stability of France, and how much the United Kingdom’s domestic economy could be integrated with the continent without endangering Britain’s already weakened financial state of affairs. The offer of Marshall Aid may well have been a ‘ray of light in a generally dismal year,’ and it did enable Bevin to give impetus to his ideas for a collective defence system for Western
Europe, nevertheless, Bevin remained sceptical about an Anglo-European organisation that incorporated political and economic integration and allowed Britain to be subject to external regulation. In addition, American financial involvement in European affairs, although welcomed as a means of viable support, undermined Britain’s opportunity to take an independent path as far as foreign affairs were concerned. Notably, the Soviet refusal to accept Marshall’s offerinstigated a split in Europe and ensured that the Soviet Union felt even more distrustful of western ideas on Europe. Anglo-Soviet relations therefore took on board a greater degree of animosity and suspicion at a time when the British Government were still looking to hold onto a semblance of co-operation with the Kremlin. An American desire to see the creation of a united European body was at times, at odds with the ideas of British foreign policy concerning Western European integration, even so, Bevin’s approach was to accept Marshall’s proposal ‘with both hands.’ Britain’s acceptance assumes that an overstretched economy was in desperate need of a boost, even so, Marshall Aid was hardly a gift horse to be overlooked. In order to secure an American post-war loan Britain had to concede to the American desire for multilateral trading and an ‘open door’ policy on potential markets as outlined in the Bretton Woods agreement. In much the same way, Marshall Aid would come with ‘Uncle Sam’s strings attached, and increasing pressure from Washington made it difficult for Britain to follow an independent foreign policy and maintain the political initiative.

Although it has been suggested that Britain’s post-war financial vulnerability failed to produce a dramatic shift in British foreign policy, it is precisely this susceptibility to economic pressures that put constraints around the Government’s desire to push forward a dynamic policy in foreign affairs. Bevin’s approach to British foreign policy has been viewed as somewhat ‘revolutionary’ in some quarters, and according to this argument, Bevin succeeded in balancing Britain’s domestic considerations with those of foreign policy commitments. Nevertheless, Bevin’s idea for a ‘western union’ is an obvious casualty inflicted by Britain’s lack of economic muscle, and is linked to Britain’s reliance on the United States. After World War II, a certain degree of British influence was retained through the maintenance of imperial territories within the Empire, although safeguarding such interests would prove a costly exercise. Britain’s’ overseas commitments were stretched and the American post-war loan was accepted to facilitate political and military expenditure and to help maintain Britain’s position as a key world power. After the formation of NATO, Bevin’s ‘third force’ idea was rejected as unworkable, and Britain’s reliance on American funding and ‘cooperation’ seems to highlight Bevin’s dilemma in that ‘reaplotik’ took precedence over the Government’s wishes and designs for British foreign policy. Bevin finally recognised Britain’s long-term economic weakness to the point where the country was unable to support even the weaker neighbours in Europe. In the immediate post-war years, Britain could not afford politically or financially to directly oppose the Soviet Union and initially sought a policy of cautious and guarded cooperation with the Kremlin rather than risk further conflict. However, in the latter part of the 1940’s, Britain faced the growing threat from the Soviet Union demonstrated by the Berlin crisis and the first Soviet atomic test explosion. The occasion of the Prague Coup just after Bevin’s ‘Western Union’ speech perhaps could not have come at a worst moment. In the United States, Britain found a wartime ally who was prepared not only to terminate aid in the form of lend lease in August 1945, but also directly oppose the continuation of the more unilateral trading system favoured by Britain and her preferred patronage of ‘partner’ countries. By 1949, it appeared that
Britain had no reliable ally, and worst still, no resources to enable the country to run an independent course. Britain found itself drawn towards the United States, and for Bevin’s’ part, he was criticised for being an ‘opponent’ of European co-operation. Some form of European integration may have been an ultimate goal of policy, but financial constraints appear to have pushed Britain in the direction of a more ‘Atlanticist’ philosophy toward international organisation. Along with Robert Schuman’s proposal to engage French and German industrial capacity, seemingly without the expressed inclusion of Britain, the arrival of NATO was perhaps the ultimate expression of Britain’s final predicament, whether desired or not. Although by no means a redundant global power, it was increasingly clear that Britain had become sidelined in the wake of advancing Soviet Communism and a pre-eminent capitalist United States. As one pair of historians have noted, Britain’s wartime experience should have prepared them ‘for the role of second fiddle.’